

# Act on Book-Entry Transfer of Corporate Bonds and Shares

(Act No. 75 of June 27, 2001)

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## **Chapter I General Provisions**

### (Purpose)

Article 1 The purpose of this Act is to facilitate the distribution of rights that are required to be indicated on corporate bonds, shares, and other securities by specifying book-entry transfer institutions and account management institutions that can make book entries for those rights; prescribing a process for making book entries with regard to those rights; specifying participant protection trusts to protect the persons holding those rights; and prescribing other necessary particulars.

### (Definitions)

Article 2 (1) The phrase "bonds and other securities" as used in this Act means any of the following:

- (i) a corporate bond (other than one set forth in item (xiv); the same applies hereinafter);

- (ii) a Japanese government bond;
- (iii) a local government bond;
- (iv) an investment corporation bond prescribed in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951);
- (v) a bond issued by a mutual company prescribed in the Insurance Business Act (Act No. 105 of 1995);
- (vi) a specified corporate bond prescribed in the Act on the Securitization of Assets (Act No. 105 of 1998) (other than one set forth in item (xix) and item (xx); the same applies hereinafter);
- (vii) a right required to be indicated on a bond certificate issued by a corporation pursuant to a special law (other than one set forth in item (i) and items (iv) through the preceding item; the same applies hereinafter);
- (viii) a beneficial interest in a domestic or foreign investment trust prescribed in the Act on Investment Trusts and Investment Corporations;
- (ix) a beneficial interest in a loan trust prescribed in the Loan Trust Act (Act No. 195 of 1952);
- (x) a beneficial interest in a specified purpose trusts prescribed in the Act on the Securitization of Assets;
- (x)-2 a beneficial interest in a trust with certificates of beneficial interest in a beneficiary prescribed in the Trust Act (Act No. 108 of 2006);
- (xi) a right required to be indicated on a bond certificate issued by a foreign country or foreign corporation (other than one that has the nature of a corporate bond certificate with share options; the same applies hereinafter);
- (xii) a share;
- (xiii) a share option;
- (xiv) a corporate bond with share options;
- (xv) investment equity prescribed in the Act on Investment Trusts and Investment Corporations;
- (xvi) a preferred equity investment prescribed in the Act on Preferred Equity Investment by Cooperative Financial Institutions (Act No. 44 of 1993);
- (xvii) a preferred equity investment prescribed in the Act on the Securitization of Assets;
- (xvii)-2 investment equity subscription rights prescribed in the Act on Investment Trusts and Investment Corporations;
- (xviii) a subscription right for new preferred equity investment prescribed in the Act on the Securitization of Assets;
- (xix) a convertible specified bond prescribed in the Act on the Securitization of Assets;
- (xx) a specified bond with preferred equity subscription rights prescribed in the Act on the Securitization of Assets;
- (xxi) a right required to be indicated on a security or certificate specified by

Cabinet Order set forth in Article 2, paragraph (1), item (xxi) of the Financial Instruments and Exchange Act (Act No. 25 of 1948), which is prescribed by Cabinet Order as one whose ownership is appropriate to be determined based on an entry or record in a book-entry transfer account register.

- (2) The phrase "book-entry transfer institution" as used in this Act means a stock company designated by the competent minister pursuant to the provisions of paragraph (1) of the following Article.
- (3) The term "participant" as used in this Act means a person for which a book-entry transfer institution or account management institution has opened an account in which book entries are to be made for bonds and other securities, pursuant to the provisions of Article 12, paragraph (1) or Article 44, paragraph (1) or (2).
- (4) The phrase "account management institution" as used in this Act means a person that has opened an account under the provisions of Article 44, paragraph (1) or a book-entry transfer institution prescribed in paragraph (2) of that Article.
- (5) The phrase "book-entry transfer institution or account management institution" as used in this Act means a book-entry transfer institution or an account management institution.
- (6) The phrase "immediately superior institution" as used in this Act means the book-entry transfer institution or account management institution at which an account has been opened for a participant.
- (7) The phrase "superior institution" as used in this Act means one of the following institutions:
  - (i) the immediately superior institution;
  - (ii) the immediately superior institution of an immediately superior institution;
  - (iii) the immediately superior institution of a person that, pursuant to the provisions of the preceding item or this item, falls under a superior institution.
- (8) The phrase "immediately subordinate institution" as used in this Act means the account management institution for which a book-entry transfer institution or account management institution has opened an account pursuant to the provisions of Article 12, paragraph (1) or Article 44, paragraph (1) or (2).
- (9) The phrase "subordinate institution" as used in this Act means one of the following institutions:
  - (i) the immediately subordinate institution;
  - (ii) the immediately subordinate institution of an immediately subordinate institution;
  - (iii) the immediately subordinate institution of a person that, pursuant to the provisions of the preceding item or this item, falls under a subordinate

institution.

- (10) The phrase "common immediately superior institution" as used in this Act means the superior institution that multiple participants share in common, if none of its subordinate institutions constitute a superior institution that all of those participants have in common.
- (11) The phrase "participant protection trust" as used in this Act means a trust established pursuant to the provisions of this Act for the purpose of protecting participants by issuing payments pursuant to the provisions of Article 60 and thus maintaining confidence in the book-entry transfer of bonds and other securities.

## **Chapter II Book-Entry Transfer Institution or Account Management Institution Section 1 General Rules**

(Designation of Persons Engaging in Book-Entry Transfer Business)

Article 3 (1) The competent minister may designate a person meeting the following requirements to engage in the services prescribed in Article 8 in accordance with this Act (hereinafter referred to as "book-entry transfer business"), upon their application:

- (i) the applicant is a stock company with the following organs:
- (a) a board of directors;
  - (b) a board of company auditors, audit and supervisory committee, or nominating committee, etc. (meaning a nominating committee, etc. as defined in Article 2, item (xii) of the Companies Act (Act No. 86 of 2005));
  - and
  - (c) an accounting auditor.
- (ii) the person is not a person whose designation referred to in this paragraph was revoked pursuant to the provisions of Article 22, paragraph (1) and for whom five years have not elapsed since the day the designation was revoked;
- (iii) the person is not a person that has been sentenced to a fine (or to an equivalent sentence under a foreign law or regulation) for violating this Act or the provisions of a foreign law or regulation equivalent to this Act, and for whom five years have not elapsed from the day they finished serving the sentence or ceased to be subject to the sentence;
- (iv) none of the person's directors, accounting advisors, company auditors, or executive officers fall under any of the following sub-items:
- (a) a person specified by order of the competent ministry as being unable to properly execute their duties 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 treated in the same manner under foreign laws and regulations;
- (c) a person that has been sentenced to imprisonment without work or a severer punishment (including an equivalent sentence under a foreign law or regulation), and for whom five years have not elapsed from the day they finished serving the sentence or ceased to be subject to the sentence;
  - (d) a person that was the director, accounting advisor, company auditor, or executive officer of a company (or a person treated in the same manner under foreign laws and regulations; the same applies in sub-item (e)) within thirty days prior to the revocation of a designation referred to in this paragraph pursuant to the provisions of Article 22, paragraph (1) or within thirty days prior to the revocation of an administrative disposition similar to a designation referred to in this paragraph which has been granted in a foreign state, pursuant to the provisions of any law or regulation of that foreign state which is equivalent to this Act, and for whom five years have not elapsed from the day of revocation;
  - (e) a person that was the director, accounting advisor, company auditor, or executive officer whose dismissal has been ordered pursuant to the provisions of Article 22, paragraph (1) or the provisions of a foreign law or regulation that is equivalent to this Act, and for whom five years have not elapsed from the day the disposition was made;
  - (f) a person that has been sentenced to a fine (or to an equivalent sentence under a foreign law or regulation) for violating this Act, the Companies Act, or the provisions of an equivalent foreign law or regulation, or for committing a crime referred to in Article 204, Article 206, Article 208, Article 208-2, Article 222, or Article 247 of the Penal Code (Act No. 45 of 1907), a crime referred to in the Act on Punishment of Physical Violence and Others (Act No. 60 of 1926); or a crime referred to in Articles 46 through 49 or Article 50 (limited to the part related to item (i)), or Article 51 of the Act on Prevention of Unjust Acts by Organized Crime Group Members (Act No. 77 of 1991), for whom five years have not elapsed from the day they finished serving the sentence or ceased to be subject to the sentence;
  - (v) the person's articles of incorporation and rules for implementing book-entry transfer business (other than those prescribed in Article 44, paragraph (2); hereinafter referred to as the "operational rules") conform to laws and regulations and are found to be sufficient for conducting book-entry transfer business in an appropriate and reliable manner pursuant to the provisions of this Act;
  - (vi) the person has a sufficient financial basis to soundly conduct book-entry transfer business and has good prospects in terms of expected income and expenditure in connection with book-entry transfer business;

- (vii) in light of its personnel structure, the person is found to have the knowledge and experience to conduct book-entry transfer business in an appropriate and reliable manner and to have sufficient social credibility.
- (2) On making a designation referred to in the preceding paragraph, the competent minister must issue public notice of the trade name and the location of the head office of the book-entry transfer institution the minister has designated in the Official Gazette.

(Applying for Designation)

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

- (i) their trade name;
  - (ii) the amount of stated capital and net assets;
  - (iii) the names and addresses of the head office and other business offices;
  - (iv) the names of the directors and company auditors (or the directors if the applicant is a company with audit and supervisory committee; the directors and executive officers if the applicant is a company with nominating committee, etc.);
  - (v) the names of the accounting advisors, if the applicant is a company with accounting advisors; and
  - (vi) if the applicant engages in any business other than book-entry transfer business, the details of that business.
- (2) The following documents must be attached to the written application for designation:
- (i) a document pledging that the applicant satisfies the requirements set forth in paragraph (1), items (iii) and (iv) of the preceding Article;
  - (ii) the articles of incorporation;
  - (iii) the company's certificate of registered information;
  - (iv) operational rules;
  - (v) a balance sheet and profit and loss statement;
  - (vi) a document stating expected income and expenditure; and
  - (vii) beyond what is set forth in the preceding items, documents specified by order of the competent ministry.
- (3) In the case referred to in the preceding paragraph, if the articles of incorporation or the balance sheet have been prepared as an electronic or magnetic record (meaning a record which is created in electronic form, magnetic form, or any other form that cannot be perceived by the human senses and used for information processing by computers; the same applies hereinafter) or if an electronic or magnetic record has been made for profit and loss statements in lieu of documents, an electronic or magnetic record (limited



to one specified by order of the competent ministry) may be attached to the application in lieu of a document.

(Amount of Stated Capital)

Article 5 (1) The stated capital of a book-entry transfer institution must be at least the amount specified by Cabinet Order.

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

(3) The net assets of a book-entry transfer institution must be at least the amount specified by Cabinet Order referred to in paragraph (1).

(Change in the Amount of Stated Capital)

Article 6 (1) If a book-entry transfer institution seeks to decrease its stated capital, it must receive the authorization of the competent minister pursuant to the provisions of order of the competent ministry.

(2) If a book-entry transfer institution seeks to increase its stated capital, it must give a notification to the competent minister pursuant to the provisions of order of the competent ministry.

(Exclusion from Application)

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

(Duty of Confidentiality)

Article 7 It is prohibited for the director, accounting advisor (or any employee that should perform those duties, if the accounting advisor is a corporation), company auditor, executive officer, or employee of a book-entry transfer institution, or a person that has held one of these positions, to divulge or misappropriate any confidential information learned in connection with book-entry transfer business.

## **Section 2 Operations**

(Operations of Book-Entry Transfer Institutions)

Article 8 A book-entry transfer institution is to conduct operations connected with the book-entry transfer of bonds and other securities in accordance with this Act and its operational rules.

(Restrictions on Concurrent Business)

Article 9 (1) A book-entry transfer institution may not engage in business other than book-entry transfer business; provided, however that this does not apply if the book-entry transfer institution obtains the approval of the competent minister pursuant to the provisions of order of the competent ministry, for business that is related to book-entry transfer business and that is found to carry no risk of preventing the institution from engaging in book-entry transfer business in an appropriate and reliable manner.

(2) If a book-entry transfer institution discontinues business for which it has received approval pursuant to the proviso of the preceding paragraph, it must notify the competent minister of this pursuant to the provisions of order of the competent ministry.

(Partial Entrustment of Book-Entry Transfer Business)

Article 10 (1) A book-entry transfer institution may obtain approval from the competent minister to entrust another person with a part of its book-entry transfer business, pursuant to the provisions of order of the competent ministry.

(2) In the contract in which a book-entry transfer institution entrusts a person with a part of its book-entry transfer business pursuant to the provisions of the preceding paragraph, it must attach a condition that the party to which it is entrusting the business will not further entrust another person with the business.

(Operational Rules)

Article 11 (1) A book-entry transfer institution must specify the following particulars in its operational rules:

- (i) the particulars concerning the bonds and other securities handled;
- (ii) the particulars concerning participants' accounts;
- (iii) the particulars concerning entries or records in the book-entry transfer account register;
- (iv) the particulars concerning the book-entry transfer institution's performance of obligations, in cases prescribed in Article 78, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 103, paragraph (1), Article 107, paragraph (1), Article 127-21, paragraph (1), Article 145, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 179, paragraph (1) (including as applied mutatis mutandis

- pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)), or Article 210, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)) in accordance with the bonds and other securities the institution handles;
- (v) the following particulars concerning any participant that is an account management institution:
    - (a) the particulars of the agreement between an account management institution and its participants;
    - (b) the particulars of an account management institution's performance of obligations, in cases prescribed in Article 79, paragraph (1) (including as applied mutatis mutandis pursuant to Articles 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 104, paragraph (1), Article 108, paragraph (1), Article 127-22, paragraph (1), Article 146, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 180, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)), or Article 211, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)) in accordance with the bonds and other securities the institution handles;
    - (c) the particulars concerning the measures to be taken if an account management institution violates a law or regulation, a disposition made by an administrative agency based on a law or regulation, or its operational rules;
    - (d) the particulars concerning reports when an incident prescribed in Article 19 occurs at an account management institution.
  - (vi) the particulars concerning participant meetings prescribed in Article 33;
  - (vii) beyond what is set forth in the preceding items, particulars which order of the competent ministry prescribes as those that are necessary for implementing book-entry transfer business.
- (2) The particulars set forth in item (v), sub-item (a) of the preceding paragraph must include an indication that each account management institution (other than a person set forth in Article 44, paragraph (1), item (xiii)) extends a joint and several surety to its participants (other than a person set forth in Article 44, paragraph (1), item (xiii); a qualified institutional investor as defined in Article 2, paragraph (3), item (i) of the Financial Instruments and Exchange Act; the national or local government; or any other person specified by Cabinet Order; hereinafter the same applies in this paragraph and in Chapter III)

against the performance of all obligations that a superior institution (other than one prescribed by order of the competent ministry as a person that does not undermine the protection of participants when surety is not provided) has toward a participant, in accordance with the bonds and other securities that it handles, as prescribed in Article 80, paragraph (2) or Article 81, paragraph (2) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 105, paragraph (2), Article 106, paragraph (2), Article 109, paragraph (3), Article 110, paragraph (3), Article 127-23, paragraph (2), Article 127-24, paragraph (2), Article 147, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 148, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 181, paragraph (2) or Article 182, paragraph (2) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)) or Article 212, paragraph (2) or Article 213, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)).

- (Opening of Accounts and Keeping of a Book-Entry Transfer Account Register)
- Article 12 (1) A book-entry transfer institution must open an account for another person in which book entries are to be made for bonds and other interests at the request of that person, pursuant to the provisions of its operational rules.
- (2) A book-entry transfer institution may open an account for itself in which book entries are to be made for bonds and other securities (hereinafter referred to as an "institution-held account") for the purpose of performing the obligations referred to in Article 78, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 103, paragraphs (1) and (3), Article 107, paragraphs (1) and (4), Article 127-21, paragraphs (1) and (3), Article 145, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 179, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)), or Article 210, paragraphs (1) and (4) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)).
- (3) A book-entry transfer institution must keep a book-entry transfer account

register.

(Consent of the Issuer)

Article 13 (1) A book-entry transfer institution may not handle bonds and other securities unless the issuer has consented in advance to have its bonds and other securities handled by the institution.

(2) In the case referred to in the preceding paragraph, if an issuer has given consent to a book-entry transfer institution in respect of a particular type of bonds or other securities, it must not give its consent to another book-entry transfer institution for that type of bonds or other securities.

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

(Prohibition of Discriminatory Treatment)

Article 14 A book-entry transfer institution must not treat any particular participant or issuer in an unfair and discriminatory manner.

### **Section 3 Supervision**

(Preparation and Preservation of Books and Documents)

Article 15 A book-entry transfer institution must prepare and preserve its business books and documents and other records pursuant to order of the competent ministry.

(Submission of Reports on Business and Property)

Article 16 (1) A book-entry transfer institution must prepare a report on its business and property for each business year and submit it to the competent minister.

(2) Order of the competent ministry determines the particulars to be stated in the report referred to in the preceding paragraph, the submission date, and other necessary particulars.

(Amending the Articles of Incorporation or Operational Rules)

Article 17 An amendment to the articles of incorporation or operational rules of a book-entry transfer institution does not take effect without the authorization of the competent minister.

(Notification of a Change in Trade Name)

Article 18 (1) If the information set forth in Article 4, paragraph (1), item (i) or items (iii) through (v) changes, the book-entry transfer institution must notify the competent minister of that fact and submit the documents set forth in paragraph (2), item (i) or (iii) of that Article to the competent minister

pursuant to the provisions of order of the competent ministry.

- (2) On being notified of a change in the trade name of a book-entry transfer institution or the location of its head office, the competent minister must issue public notice of that fact in the Official Gazette.

#### (Incident Reports)

Article 19 In cases referred to in Article 78, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 103, paragraph (1), Article 107, paragraph (1), Article 127-21, paragraph (1), Article 145, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 179, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)), or Article 210, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)) and in other cases in which an incident specified by order of the competent ministry occurs; in cases referred to in Article 79, paragraph (1) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127 and Article 276, item (i)), Article 104, paragraph (1), Article 108, paragraph (1), Article 146, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 180, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)), or Article 211, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)) and in other cases in which an incident specified by order of the competent ministry occurs at a subordinate institution, a book-entry transfer institution must notify the competent minister of that fact pursuant to the provisions of order of the competent ministry.

#### (Reports and Inspections)

Article 20 (1) If the competent minister finds it to be necessary for the appropriate and reliable performance of book-entry transfer business, the minister may order a book-entry transfer institution to make reports or submit materials concerning its business or property, or may have relevant officials enter the business office of the book-entry transfer institution and inspect the state of its business or property, books and documents, or other articles or have the officials question the persons concerned.

- (2) An official conducting an on-site inspection pursuant to the provisions of the preceding paragraph must carry an identification card and present it to the persons concerned.
- (3) The authority to conduct an on-site inspection under the provisions of paragraph (1) must not be construed to have been granted for the purpose of criminal investigation.

(Business Improvement Orders)

Article 21 If the competent minister finds it to be necessary for the appropriate and reliable performance of book-entry transfer business, the minister may, within the extent necessary, order a book-entry transfer institution to take the necessary measures to improve the state of its business operations or property.

(Revocation of Designations)

Article 22 (1) If a book-entry transfer institution falls under one of the following items, the competent minister may revoke the designation under Article 3, paragraph (1) or the approval referred to in the proviso of Article 9, paragraph (1), order the suspension of all or part of its business activities by specifying a period of no longer than six months, or order the dismissal of the director, accounting advisor, company auditor, or executive officer:

- (i) when the institution no longer satisfies the requirement set forth in Article 3, paragraph (1), item (iii) or (iv);
  - (ii) when it is found that the institution did not fall under one of the items of Article 3, paragraph (1) at the time of designation under Article 3, paragraph (1);
  - (iii) when it is found that the institution has obtained the designation under Article 3, paragraph (1) by wrongful means;
  - (iv) when it violates this Act, a law or regulation based on this Act, or a disposition based on them.
- (2) When revoking the designation under Article 3, paragraph (1) pursuant to the provisions of the preceding paragraph, the competent minister must issue a public notice of that fact in the Official Gazette.

(Business Transfer Orders)

Article 23 If a book-entry transfer institution falls under one of the following items, the competent minister may order the book-entry transfer institution to transfer book-entry transfer business to another stock company (excluding the case prescribed in Article 44, paragraph (2); hereinafter the same applies in this Article through Article 42):

- (i) when the designation under Article 3, paragraph (1) is revoked pursuant to the provisions of paragraph (1) of the preceding Article;

- (ii) when the institution discontinues book-entry transfer business;
- (iii) when the institution is dissolved (including the cases in which the judgment invalidating its incorporation, merger, or incorporation-type company split becomes final and binding); or
- (iv) when it is found that there is a risk of circumstances in which the institution will be unable to pay a debt that is due without substantially compromising the continuation of book-entry transfer business to occur, or a fact constituting the grounds for the commencement of bankruptcy proceedings to occur.

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

- Article 24 (1) Notwithstanding the provisions of Article 309, paragraph (2) and Article 324, paragraph (2) of the Companies Act, a resolution pursuant to the provisions of Article 322, paragraph (1), Article 466, Article 467, paragraph (1), Article 783, paragraph (1), or Article 795, paragraph (1) of that Act (other than a resolution at a shareholders meeting referred to in Article 309, paragraph (3), item (ii) of that Act, for a resolution pursuant to the provisions of Article 783, paragraph (1) of that Act) at a book-entry transfer institution that has received an order under the preceding Article (hereinafter referred to as a "specified book-entry transfer institution" in the following paragraph) may be provisionally adopted by a two-thirds majority of votes of the shareholders present.
- (2) Notwithstanding the provisions of Article 309, paragraph (3) of the Companies Act, a resolution at a shareholders meeting referred to in Article 309, paragraph (3), item (ii) of that Act at a specified book-entry transfer institution may be provisionally adopted by a two-thirds majority of votes of the shareholders present, at a session with half or more of the shareholders present.
  - (3) If a resolution is provisionally adopted pursuant to the provisions of paragraph (1) (hereinafter referred to as a "provisional resolution" in this paragraph and the following paragraph), the book-entry transfer institution must notify each of the shareholders of the purport of the provisional resolution and convene a shareholders meeting again within one month after the date of the provisional resolution.
  - (4) If a provisional resolution adopted by a majority vote prescribed in paragraph (1) is approved at a shareholders meeting referred to in the preceding paragraph, a resolution is deemed to have been adopted with regard to the matter resolved by the provisional resolution.
  - (5) The provisions of the preceding two paragraphs apply mutatis mutandis to a resolution adopted provisionally pursuant to the provisions of paragraph (2). In



such a case, the term "paragraph (1)" in the preceding paragraph is deemed to be replaced with "paragraph (2)".

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

(Authorization for Specified Mergers)

- Article 25 (1) A merger in which a book-entry transfer institution constitutes all or some of the parties (but only if the stock company surviving the merger or the stock company incorporated in the merger engages in book-entry transfer business; hereinafter referred to as a "specified merger" in this Article and the following Article) does not take effect without the authorization of the competent minister.
- (2) A book-entry transfer institution seeking the authorization referred to in the preceding paragraph must submit a written application for merger authorization to the competent minister, which states the information set forth in the items of Article 4, paragraph (1) with respect to the stock company surviving or incorporated in the specified merger (hereinafter referred to as the "book-entry transfer institution after the specified merger" in this Article).
- (3) A document stating the content of the merger agreement or electronic or magnetic records in which the content has been recorded (limited to those specified by order of the competent ministry; hereinafter the same applies in this paragraph) and the documents or electronic or magnetic records specified by order of the competent ministry must be attached to a written application for merger authorization.
- (4) If an application has been filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:
- (i) the book-entry transfer institution after the specified merger satisfies the requirements set forth in the items of Article 3, paragraph (1); and
  - (ii) it is fully expected that the book-entry transfer business will be succeeded to in a smooth and appropriate manner.
- (5) A book-entry transfer institution after the specified merger (other than if the book-entry transfer institution is a stock company surviving the specified merger) is deemed to have obtained the designation under Article 3, paragraph (1) at the time of the specified merger.
- (6) A book-entry transfer institution after the specified merger succeeds to the rights and obligations that the book-entry transfer institution disappearing in the specified merger holds in connection with its business based on the authorization given or other dispositions taken by an administrative agency.

(Approval of Participants for Specified Mergers)

Article 26 When implementing a specified merger, a book-entry transfer institution must obtain the approval of the participants, in addition to the approval at a shareholders meeting referred to in Article 783, paragraph (1), Article 795, paragraph (1), or Article 804, paragraph (1) of the Companies Act.

(Authoriation for Incorporation-Type Splits)

Article 27 (1) An incorporation-type split that a book-entry transfer institution implements in order to have a newly established stock company succeed to all or some of its book-entry transfer business (hereinafter simply referred to as "incorporation-type split" in this Article and the following Article) does not take effect without the authorization of the competent minister.

(2) A book-entry transfer institution seeking the authorization referred to in the preceding paragraph must submit a written application for authorization of an incorporation-type split to the competent minister, which states the following information about the stock company to be incorporated in the incorporation-type split (hereinafter referred to as the "company being incorporated" in this Article):

- (i) the information set forth in the items of Article 4, paragraph (1); and
- (ii) the book-entry transfer business to which the company being incorporated will succeed.

(3) A document stating the content of the incorporation-type split plan or electronic or magnetic records in which the content has been recorded (limited to those specified by order of the competent ministry; hereinafter the same applies in this paragraph) and the documents or electronic or magnetic records specified by order of the competent ministry must be attached to a written application for authorization of an incorporation-type split

(4) If an application has been filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:

- (i) the company being incorporated satisfies the requirements set forth in Article 3, paragraph (1), item (i) and items (iv) through (vii); and
- (ii) it is fully expected that the book-entry transfer business will be succeeded to in a smooth and appropriate manner.

(5) The company being incorporated is deemed to have obtained the designation under Article 3, paragraph (1) at the time of the incorporation-type split.

(6) The company being incorporated succeeds to the rights and obligations that the book-entry transfer institution implementing the incorporation-type split holds in connection with the business subject to the succession, based on the authorization given or other dispositions taken by an administrative agency.

(Approval of Participants for Incorporation-Type Splits)

Article 28 When implementing an incorporation-type split, a book-entry transfer institution must obtain the approval of the participants, in addition to the approval at a shareholders meeting referred to in Article 804, paragraph (1) of the Companies Act.

(Authorization for Absorption-Type Splits)

Article 29 (1) An absorption-type split that a book-entry transfer institution implements in order to have another stock company succeed to all or some of its book-entry transfer business (hereinafter simply referred to as "absorption-type split" in this Article and the following Article) does not take effect without the authorization of the competent minister.

(2) A book-entry transfer institution seeking the authorization referred to in the preceding paragraph must submit a written application for authorization of an absorption-type split to the competent minister, which states the following information about the stock company that will succeed to all or part of the book-entry transfer business in the absorption-type split (hereinafter referred to as the "succeeding company" in this Article):

- (i) the information set forth in the items of Article 4, paragraph (1);
- (ii) the book-entry transfer business to which the succeeding company will succeed.

(3) A document stating the content of the absorption-type split agreement or electronic or magnetic records in which the content have been recorded (limited to those specified by order of the competent ministry; hereinafter the same applies in this paragraph) and the documents or electronic or magnetic records specified by order of the competent ministry must be attached to a written application for authorization of an absorption-type split.

(4) If an application has been filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:

- (i) the succeeding company satisfies the requirements set forth in the items of Article 3, paragraph (1); and
- (ii) it is fully expected that the book-entry transfer business will be succeeded to in a smooth and appropriate manner.

(5) A succeeding company is deemed to have obtained a designation under Article 3, paragraph (1) at the time of the absorption-type company split (unless a book-entry transfer institution is the succeeding company).

(6) The succeeding company succeeds to the rights and obligations that the book-entry transfer institution implementing the absorption-type split holds, in connection with the business subject to the succession, based on the authorization given or other disposition made by an administrative agency.

(Approval of Participants for an Absorption-Type Split)

Article 30 When implementing an absorption-type split, a book-entry transfer institution must obtain the approval of the participants, in addition to the approval at a shareholders meeting referred to in Article 783, paragraph (1) or Article 795, paragraph (1) of the Companies Act.

(Authorization for a Business Transfer)

- Article 31 (1) A book-entry transfer institution's transfer of all or some of the book-entry transfer business it provides to another stock company (hereinafter referred to as a "business transfer" in this Article and the following Article) does not take effect without the authorization of the competent minister.
- (2) A book-entry transfer institution seeking the authorization referred to in the preceding paragraph must submit a written application for authorization of a business transfer to the competent minister, which states the following information about the stock company that will succeed to all or some of the book-entry transfer business in the business transfer (hereinafter referred to as the "transferee company" in this Article):
- (i) the information set forth in the items of Article 4, paragraph (1); and
  - (ii) the book-entry transfer business to which the transferee company will succeed.
- (3) A document stating the content of the business transfer agreement or electronic or magnetic records in which the content has been recorded (limited to those specified by order of the competent ministry; hereinafter the same applies in this paragraph) and the documents or electronic or magnetic records specified by order of the competent ministry must be attached to a written application for authorization of a business transfer.
- (4) If an application has been filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:
- (i) the transferee company satisfies the requirements set forth in the items of Article 3, paragraph (1); and
  - (ii) it is fully expected that the book-entry transfer business will be succeeded to in a smooth and appropriate manner.
- (5) A transferee company is deemed to have obtained a designation under Article 3, paragraph (1) at the time of business transfer (unless a book-entry transfer institution is the transferee company).
- (6) A transferee company succeeds to the rights and obligations that the book-entry transfer institution implementing the business transfer holds, in connection with the business subject to the transfer, based on the authorization given or other disposition made by an administrative agency, and also succeeds to the rights and obligations connected with the consent of the

issuer referred to in Article 13, paragraph (1).

- (7) An account of a participant that a book-entry transfer institution implementing a business transfer has opened is deemed to be an account of a participant that the transferee company has opened.

(Approval of Participants for a Business Transfer)

Article 32 When implementing a business transfer, a book-entry transfer institution must obtain the approval of the participants, in addition to the approval at a shareholders meeting referred to in Article 467, paragraph (1) of the Companies Act.

### **Section 5 Participant Meetings**

(Matters for Resolution)

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

(Conveners)

Article 34 (1) Book-entry transfer institutions convene participant meetings.

(2) To convene a participant meeting, a convocation notice in writing must be sent to each participant by two weeks prior to the day of the meeting.

(3) In lieu of using a document to give notice prescribed in the preceding paragraph, a book-entry transfer institution may issue a notice by electronic or magnetic means (meaning the means of using an electronic data processing system or using other information communications technology, which is specified by order of the competent ministry; the same applies hereinafter), pursuant to order of the competent ministry, with the approval of the participants. In doing so, the book-entry transfer institution is deemed to have issued the notice under the provisions of that paragraph.

(4) The notice referred to in the preceding two paragraphs must state or record the content of the subject matter of the meeting and a summary of the proposals.

(Participant Voting Rights)

Article 35 Unless otherwise prescribed in the operational rules, the voting rights of each participant are equal.

(Voting by Electronic or Magnetic Means)

Article 36 (1) A participant not attending a participant meeting may vote by electronic or magnetic means pursuant to the provisions of the operational

rules.

- (2) At the time of giving the notice prescribed in Article 34, paragraph (2), a book-entry transfer institution must issue a document stating the information specified by order of the competent ministry as information that should serve as a reference for exercise of voting rights by electronic or magnetic means.
- (3) If a book-entry transfer institution gives a notice prescribed in Article 34, paragraph (3) by electronic or magnetic means to participants that have given the approval referred to in that paragraph, it may provide them with the information that is required to be stated in the document referred to in the preceding paragraph by electronic or magnetic means, together with that notice; provided, however, that if requested by a participant, the book-entry transfer institution must deliver the document referred to in that paragraph to the participant.
- (4) The provisions of Article 302, paragraphs (3) and (4) and Article 312 of the Companies Act apply *mutatis mutandis* to exercise of voting rights by electronic or magnetic means referred to in paragraph (1) for a participant meeting. In such a case, in these provisions, the term "Article 299, paragraph (3)" is deemed to be replaced with "Article 34, paragraph (3) of the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the term "Ministry of Justice Order" is deemed to be replaced with "order of the competent ministry"; the phrase "information that is required to be stated in the voting forms" is deemed to be replaced with "information specified by order of the competent ministry as the necessary information for the participants to exercise their voting rights"; the term "stock company" is deemed to be replaced with "book-entry transfer institution"; the phrase "In the case provided for in paragraph (1)...the directors" in Article 302, paragraph (3) of the Act is deemed to be replaced with "the book-entry transfer institution"; the phrase "In the case provided for in paragraph (1) [...] the directors" in paragraph (4) of that Article is deemed to be replaced with "[...] a book-entry transfer institution"; and the term "Cabinet Order" in Article 312, paragraph (1) of that Act is deemed to be replaced with "order of the competent ministry".

#### (Method of Adopting Resolutions)

Article 37 A resolution at a participant meeting is adopted by the majority vote of the participants present.

#### (Deemed Agreement)

Article 38 (1) A book-entry transfer institution may provide in the operational rules that a participant is deemed to consent to a proposal submitted at a participant meeting if that participant neither attends the participant meeting nor exercises the voting rights.

- (2) A book-entry transfer institution that has established the provisions referred to in the preceding paragraph must state or record those provisions in the notice under the provisions of Article 34, paragraph (2).
- (3) The number of votes held by participants that are deemed to consent to a proposal pursuant to the provisions of paragraph (1) are included in the number of votes of the participants attending a participant meeting.

(Application, Mutatis Mutandis of the Companies Act to Participant Meetings)

Article 39 The provisions of Article 310, paragraphs (1) through (4), Article 314, Article 315, Article 317, Article 729, paragraph (2), Articles 731 through 735-2, Article 742, paragraph (1), Article 868, paragraph (4), Article 870, paragraph (1) (limited to the part related to item (vii)), the main clause of Article 871, Article 872 (limited to the part related to item (iv)), the main clause of Article 873, Article 875, Article 876, Article 940, paragraph (1) (limited to the part set forth in item (i)) and paragraph (3) of the Companies Act apply mutatis mutandis to a participant meeting. In such a case, in these provisions, the terms "stock company", "bond-issuing company", and "stock company or membership company" are deemed to be replaced with "book-entry transfer institution" and the term "Ministry of Justice Order" is deemed to be replaced with "order of the competent ministry"; the term "Cabinet Order" in Article 310, paragraph (3) of that Act is deemed to be replaced with "order of the competent ministry"; the term "Article 299, paragraph (3)" in paragraph (4) of that Article is deemed to be replaced with "Article 34, paragraph (3) of the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the phrase "a director, an accounting advisor, a company auditor, or an executive officer" in Article 314 of that Act is deemed to be replaced with "a book-entry transfer institution"; the phrase "Article 298 and Article 299" in Article 317 of that Act is deemed to be replaced with "Article 34, paragraphs (2) through (4) of the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the term "bondholders or conveners" in Article 729, paragraph (2) of that Act is deemed to be replaced with "participant meeting"; the phrase "The bond administrator, assistant bond administrator, and bondholders" in Article 731, paragraph (3) of that Act is deemed to be replaced with "participants"; the phrase "the matters stated or recorded in the materials used for explaining the business of the bond-issuing company or other matters regarding the solicitation in Article 676" in Article 733, item (i) of that Act is deemed to be replaced with "operational rules"; in Article 735-2, paragraph (1) of that Act, the phrase ", bond administrator, assistant bond administrator or bondholders" is deemed to be replaced with "or participants" and the phrase "concerning matters...(in the case of an assistant bond administrator, concerning giving consent of a bondholders meeting referred to in Article 711, paragraph (1) as applied

mutatis mutandis pursuant to Article 714-7" is deemed to be replaced with "concerning matters..."; the phrase "bond administrator, assistant bond administrator and bondholders" in paragraph (3) of that Article is deemed to be replaced with "participants"; the term "bond-issuing company" in Article 868, paragraph (4) of that Act is deemed to be replaced with "book-entry transfer institution"; the term "this Act" in Article 940, paragraph (1) (limited to what is set forth in item (i)) of that Act is deemed to be replaced with "the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the term "the preceding two paragraphs" in paragraph (3) of that Article is deemed to be replaced with "paragraph (1)"; the term "these provisions" in that paragraph is deemed to be replaced with "the provisions of that paragraph"; and the phrase "company" in items (i) and (iii) of that paragraph is deemed to be replaced with "book-entry transfer institution".

## **Section 6 Dissolution**

(Authorization for Dissolution)

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

- (i) a resolution at a shareholders meeting for the dissolution of a book-entry transfer institution; and
- (ii) a merger to which book-entry transfer institutions constitute all or some of the parties (but only if the stock company surviving the merger or the stock company incorporated in the merger does not conduct book-entry transfer business).

(Expiration of Designations)

Article 41 (1) If a book-entry transfer institution falls under one of the following items, the designation under Article 3, paragraph (1) expires:

- (i) the institution discontinues book-entry transfer business; or
  - (ii) the institution is dissolved (including when a judgment invalidating its incorporation, merger, or incorporation-type split becomes final and binding).
- (2) If a designation expires pursuant to the provisions of the preceding paragraph, the former book-entry transfer institution or its general successor (limited to a person that has succeeded to the rights and obligations of a book-entry transfer institution disappearing in a merger, who does not engage in book-entry transfer business; the same applies in the following Article) must notify the competent minister of this pursuant to the provisions of order of the competent ministry.
- (3) When a notification under the provisions of the preceding paragraph is made, the competent minister must issue public notice of this in the Official Gazette.



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

Article 42 If the designation under Article 3, paragraph (1) of a book-entry transfer institution is revoked pursuant to the provisions of Article 22, paragraph (1) or expires pursuant to the provisions of paragraph (1) of the preceding Article, the former book-entry transfer institution or its general successor must promptly discontinue the book-entry transfer business that the book-entry transfer institution is engaged in. In such a case, the former book-entry transfer institution or its general successor is deemed to be a book-entry transfer institution to the extent required to complete the book-entry transfer business.

(Opinion of the Competent Minister in Liquidation Proceedings)

- Article 43 (1) The court may request the opinion of, or an inspection or investigation by, the competent minister in liquidation proceedings, bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or recognition and assistance proceedings.
- (2) On finding it to be necessary to do so, the competent minister may state their opinion to the court during the proceedings prescribed in the preceding paragraph.
- (3) The provisions of Article 20 apply mutatis mutandis if the competent minister is requested by the court to conduct an inspection or investigation pursuant to the provisions of paragraph (1).

## **Section 7 Account Management Institutions**

(Opening of Accounts of an Account Management Institution)

- Article 44 (1) The following persons may open an account for another person in which book entries are to be made for bonds and other securities at the request of that person, in accordance with the provisions of this Act and the operational rules of the book-entry transfer institution. In such a case, the person must have an account opened for them in advance by the book-entry transfer institution or by another account management institution related to that book-entry transfer institution (other than one specified by order of the competent ministry), in which book entries are to be made for bonds and other securities:
- (i) a financial instruments business operator as defined in Article 2, paragraph (9) of the Financial Instruments and Exchange Act (limited to a person performing Type-I Financial Instruments Business prescribed in Article 28, paragraph (1) of that Act (excluding a Type-I Small Amount Electronic Public Offering Service Provider prescribed in Article 29-4-2, paragraph (9) of that

- Act));
- (ii) a bank as defined in Article 2, paragraph (1) of the Banking Act (Act No. 59 of 1981) (including branches referred to in Article 4, paragraph (1) of that Act licensed by the Prime Minister pursuant to the provisions of Article 47, paragraph (1) of that Act);
  - (iii) a long-term credit bank as defined in Article 2 of the Long-Term Credit Bank Act (Act No. 187 of 1952);
  - (iv) a trust company;
  - (v) the Shoko Chukin Bank, Ltd.;
  - (vi) The Norinchukin Bank;
  - (vii) an agricultural cooperative and the federation of agricultural cooperatives engaged in business referred to in Article 10, paragraph (1), item (iii) of the Agricultural Cooperatives Act (Act No. 132 of 1947);
  - (viii) a fisheries cooperative engaged in business referred to in Article 11, paragraph (1), item (iv) of the Fisheries Cooperatives Act (Act No. 242 of 1948); the federation of fisheries cooperatives engaged in business referred to in Article 87, paragraph (1), item (iv) of that Act; a fishery processing cooperative engaged in business referred to in Article 93, paragraph (1), item (ii) of that Act; or the federation of fishery processing cooperatives engaged in business referred to in Article 97, paragraph (1), item (ii) of that Act;
  - (ix) a credit cooperative or the federation of cooperatives engaged in business referred to in Article 9-9, paragraph (1), item (i) of the Small and Medium-Sized Enterprise Cooperatives Act (Act No. 181 of 1949);
  - (x) a Shinkin Bank and the federation of Shinkin Banks;
  - (xi) a labor bank and the federation of labor banks;
  - (xii) a person other than one set forth in the preceding items, permitted to manage another person's bonds and other securities in the course of trade pursuant to Japanese laws and regulations, which is specified by order of the competent ministry;
  - (xiii) a person that has been granted a license or registration, or a similar disposition in a foreign state pursuant to foreign laws and regulations, to manage another person's bonds and other securities or rights similar to bonds and other securities in the foreign state, designated by the competent minister.
- (2) If a book-entry transfer institution opens an account for another person in which book entries are to be made for bonds and other securities at the request of that person pursuant to the provisions of the operational rules of another book-entry transfer institution, the book-entry transfer institution must have the other book-entry transfer institution or an account management institution related to the other book-entry transfer institution (excluding one specified by order of the competent ministry) open an account for it in advance in which

book entries are to be made for bonds and other securities.

(Services of Account Management Institutions)

Article 45 (1) An account management institution is to engage in book-entry transfer business as an account management institution pursuant to the provisions of this Act and the operational rules of the book-entry transfer institution that constitute its superior institution.

(2) An account management institution must keep a book-entry transfer account register.

(Application Mutatis Mutandis)

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

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

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

Article 47 (1) Notwithstanding the provisions of Article 3, paragraph (1), if the Bank of Japan meets the following requirements, the competent minister may designate the Bank of Japan to engage in book-entry transfer business (limited to book-entry transfer business for Japanese government bonds; hereinafter the same applies in this paragraph through Article 50) upon its application and pursuant to the provisions of this Act:

- (i) if the Bank of Japan has had its designation under this paragraph revoked pursuant to the provisions of Article 22, paragraph (1) as applied following a deemed replacement of terms pursuant to the following Article, five years have elapsed from the day of the revocation;
- (ii) if the Bank has been ordered to pay a fine for violating this Act and has finished serving the sentence or ceased to be subject to the sentence, five years have elapsed from the day on which it finished serving the sentence or ceased to be subject to the sentence;
- (iii) the provisions of its operational rules conform to laws and regulations and are found to be sufficient for performing book-entry transfer business in an appropriate and reliable manner pursuant to the provisions of this Act; and
- (iv) in light of its personnel structure, the Bank is found to have the knowledge and experience to perform book-entry transfer business in an appropriate and reliable manner.

- (2) On making a designation referred to in the preceding paragraph, the competent minister must issue public notice of this in the Official Gazette.
- (3) The provisions of Article 4, paragraph (1) (excluding item (ii) and items (iv) through (vi)) and paragraph (2) (excluding item (ii), item (v) and item (vi)) apply mutatis mutandis to the Bank of Japan if it seeks the designation under paragraph (1). In such a case, the term "trade name" in paragraph (1), item (i) of that Article is deemed to be replaced with "name", the phrase "paragraph (1), items (iii) and (iv) of the preceding Article" in paragraph (2), item (i) of that Article is deemed to be replaced with "Article 47, paragraph (1), item (ii)", and the phrase "the company's certificate of registered information" in item (iii) of that paragraph is deemed to be replaced with "its certificate of registered information".

Article 48 When the Bank of Japan has obtained the designation referred to in paragraph (1) of the preceding Article, it is deemed to be a book-entry transfer institution and the provisions of this Act (excluding Articles 5 through 7, Article 9, Article 20, paragraphs (2) and (3), Article 23, items (iii) and (iv), Articles 24 through 30, Article 40, Article 41, paragraph (1), item (ii), Article 43, the following Article, Article 50, Chapter IV and Chapters VI through XII and Articles 1 through 10, Articles 12 through 18 and Articles 27 through 42 of the Supplementary Provisions and the punishments concerning these provisions) apply. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column are deemed to be replaced by the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 8	business	business ( limited to business that involves Japanese government bonds)
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Article 12, paragraph (2)	for itself in which book entries are to be made for bonds and other securities (hereinafter referred to as an "institution-held account") for the purpose of performing the obligations as referred to in Article 78, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 103, paragraphs (1) and (3), Article 107, paragraphs (1) and (4), Article 145, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 179, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)), or Article 210, paragraphs (1) and (4) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv))	for itself
Article 16, paragraph (1)	business and property	business
Article 17	the articles of incorporation or operational rules	operational rules
Article 18, paragraph (1)	Article 4, paragraph (1), item (i) or items (iii) through (v)	Article 4, paragraph (1), item (i) or (iii) as applied mutatis mutandis pursuant to Article 47, paragraph (3)

	paragraph (2), item (i) or (iii) of the same Article	Article 4, paragraph (2), item (iii) as applied mutatis mutandis pursuant to Article 47, paragraph (3)
Article 18, paragraph (2)	trade name	name
Article 20, paragraph (1)	order a book-entry transfer institution to make reports or submit materials concerning its business or property, or may have relevant officials enter the business office of the book-entry transfer institution and inspect the state of its business or property, books and documents, or other articles or may have the officials question the persons concerned	order a book-entry transfer institution to make reports or submit materials concerning its business
Article 21	the state of its business operations or its property	its business operations
Article 22, paragraph (1)	revoke a designation under Article 3, paragraph (1) or an approval referred to in the proviso of Article 9, paragraph (1); order the suspension of all or part of its business activities by specifying a period of no longer than six months; or order the dismissal of a director, accounting advisor, company auditor, or executive officer	revoke a designation under Article 47, paragraph (1) designation or order the suspension of all or part of its business activities by specifying a period of no longer than six months
Article 22, paragraph (1), item (i)	Article 3, paragraph (1), item (iii) or (iv)	Article 47, paragraph (1), item (ii)
Article 22, paragraph (1), items (ii) and (iii), and paragraph (2), and Article 23, item (i)	Article 3, paragraph (1)	Article 47, paragraph (1)

Article 32	the approval of the participants, in addition to approval at a shareholders meeting referred to in Article 467, paragraph (1) of the Companies Act	the approval of the participants
Article 41, paragraph (1)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 41, paragraph (2)	the former book-entry institution or its general successor (limited to a person that has succeeded to the rights and obligations of a book-entry transfer institution disappearing in a merger, who does not engage in book-entry business; the same applies in the following Article)	the former book-entry transfer institution
Article 42	Article 3, paragraph (1)	Article 47, paragraph (1)
	the former book-entry transfer institution or its general successor	the former book-entry transfer institution
Article 51, paragraph (1)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 58	Article 69, paragraph (2)	Article 95, paragraphs (9) and (10) (including as applied mutatis mutandis pursuant to paragraph (11) of the same Article) pursuant to Article 48, Article 69, paragraph (2) following the deemed replacement of terms
Article 89, paragraph (2)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 90, paragraph (1)	a person may apply	a person may apply or decide
Article 91, paragraph (5)	(ii) the amount of book-entry transfer JGBs by issue;	(ii) the amount of book-entry transfer JGBs by issue (other than one set forth in the following item);

		(ii)-2 if the book-entry transfer institution is a pledgee, that fact and the amount of book-entry transfer JGBs underlying the pledge, by issue;
Article 92, paragraph (1)	participant	participant and book-entry transfer institution
Article 92, paragraph (2)	(i) an entry or record of the increase in the amount referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph, if the book-entry transfer institution is the one that opened the account referred to item (iii) of the preceding paragraph, in the column of the account in which the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);	(i) make an entry or record of the increase in the amount referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph, if the book-entry transfer institution is the one that opened the account referred to item (iii) of the preceding paragraph, in the column of the account (excluding the institution-held account) in which the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter); (i)-2 make an entry or record of the increase in the amount referred to in item (iv) of the preceding paragraph in the column in which the information set forth in paragraph (5), item (ii) of the preceding Article following the deemed replacement of terms pursuant to Article 48, is entered or recorded in the institution-held account, if the book-entry transfer institution is the one that acquired those book-entry transfer JGBs;



Article 92, paragraph (3)	provisions of the preceding paragraph	provisions of the preceding paragraph (excluding the provisions of item (i)-2)
Article 93, paragraph (1)	of a particular issue,	of a particular issue, or on deciding to strip a bond pursuant to the provisions of Article 93, paragraph (8) following the deemed replacement of terms pursuant to Article 48,
	and as indicated pursuant to the provisions of paragraph (4) in the application	and as indicated pursuant to the provisions of paragraph (4) in the application; or pursuant to the provisions of Article 93, paragraph (8) as applied pursuant to the provisions of Article 48 following the deemed replacement of terms and as indicated in the decision
Article 93, paragraph (7)	(7) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.	(7) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

		<p>(8) On reaching a decision to strip a specific amount of strippable book-entry transfer JGBs of a particular issue which have been entered or recorded in the column of the institution-held account in which the information set forth in Article 91, paragraph (5), item (ii) following the deemed replacement of terms pursuant to Article 48, is entered or recorded a book-entry transfer institution must immediately make an entry or record of the reduction in the specific amount of the strippable book-entry transfer JGBs of that particular issue which have been entered or recorded in the column in which the information set forth in that item is entered or recorded; make an entry or record of the increase equal to the amount of the book-entry transfer JGBs that constitute the portion of the principal of those strippable book-entry JGBs; and make an entry or record of the increase equal to the amount of each strippable book-entry transfer JGB interest from the book-entry transfer JGBs that constitute the portion of the interest of those strippable book-entry JGBs.</p>
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Article 94, paragraph (1)	of a particular issue,	of a particular issue, or on deciding to reconstitute a bond pursuant to the provisions of Article 94, paragraph (8) following the deemed replacement of terms pursuant to Article 48,
	and as indicated in the application pursuant to the provisions of paragraph (4) in the application	and as indicated pursuant to the provisions of paragraph (4) in the application; or pursuant to the provisions of Article 94, paragraph (8) following the deemed replacement of terms pursuant to Article 48 and as indicated in the decision
Article 94, paragraph (7)	(7) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.	(7) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

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

Article 95, paragraph (1)	of a particular issue,	of a particular issue, or on deciding to make a book entry transfer pursuant to the provisions of Article 95, paragraph (9) following the deemed replacement of terms pursuant to Article 48,
	and as indicated pursuant to the provisions of paragraph (3) in the application,	and as indicated pursuant to the provisions of paragraph (3) in the application; or pursuant to the provisions of Article 95, paragraphs (9) through (11) following the deemed replacement of terms pursuant to Article 48 and as indicated in the decision
Article 95, paragraph (3), item (iv)	the transferee account (excluding the institution-held account)	the transferee account
	holdings column	holdings column (or in the column in which entries or records are made for the information set forth in Article 91, paragraph (5), item (ii) following the deemed replacement of terms pursuant to Article 48, for the institution-held account; hereinafter referred to as the "institution's holdings column" in this Chapter)
	pledge column	pledge column (or in the column in which entries or records are made for the information set forth in Article 91, paragraph (5), item (ii)-2 following the deemed replacement of terms pursuant to Article 48, for the institution-held account; hereinafter referred to as the "institution's pledge column" in this Chapter)

<p>Article 95, paragraph (8)</p>	<p>(8) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has been notified.</p>	<p>(8) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has been notified.</p> <p>(9) On deciding to make a book entry transfer in the account of a participant for a specific amount of book-entry transfer JGBs of a particular issue that have been entered or recorded in the institution's holding column or pledge column of the institution-held account, a book-entry transfer institution must immediately take the following measures:</p> <p>(i) make an entry or record of the reduction in the amount of the book-entry transfer JGBs of that particular issue, in the column of the account related to the decision;</p> <p>(ii) make an entry or record of the increase in the amount referred to in the preceding item in the holdings column or the pledge column of the transferee account, if the book-entry transfer institution is the one that opened the transferee account related to the decision.</p>
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(iii) make an entry or record of the increase in the amount referred to in item (i) in the customer account under the account of the book-entry transfer institution's immediately subordinate institution that is the superior institution of the participant with the transferee account , and notify the immediately subordinate institution of the issue, amount, and transferee account for the book-entry transfer JGBs for which an entry or record of the increase is required to be made when the book entry transfer is made, and whether the entry or record of the increase is to be made in the holdings column or in the pledge column of that account, if the book-entry transfer institution is not the one that opened the transferee account related to the decision.

(10) When the notice referred to in item (iii) of the preceding paragraph has been given, the account management institution that has been notified must immediately take the following measures:

(i) make an entry or record of the increase in the amount referred to in item (i) of the preceding paragraph in the transferee account, in the column related to the notice, if the account management institution is the one that opened the transferee account;

(ii) make an entry or record of the increase in the amount referred to in item (i) of the preceding paragraph in the customer account under the account of the account management institution's immediately subordinate institution that is the superior institution of the participant with the transferee account, and notify the immediately subordinate institution of the particulars notified pursuant to the provisions of item (iii) of the preceding paragraph, if the account management institution is not the one that opened the transferee account.

(11) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has been notified.



<p>Article 96, paragraph (1)</p>	<p>of a particular issue,</p>	<p>of a particular issue, or on deciding to make a deletion pursuant to the provisions of Article 96, paragraph (8) following the deemed replacement of terms pursuant to Article 48,</p>
	<p>and as indicated pursuant to the provisions of paragraph (3) in the application,</p>	<p>and as indicated pursuant to the provisions of paragraph (3) in the application; or pursuant to the provisions of Article 96, paragraphs (8) following the deemed replacement of terms pursuant to Article 48 and as indicated in the decision</p>
<p>Article 96, paragraph (7)</p>	<p>(7) The national government may demand that, in exchange for the government redeeming book-entry transfer JGBs (or paying interest, if the bonds are interest-only book-entry JGBs), their bondholder or pledgee file an application with its immediately superior institution to make a deletion for the book-entry JGBs of that issue which appear on its account, deleting the same amount from the account as the amount of the book-entry transfer JGBs that are being redeemed.</p>	<p>(7) The national government may demand that, in exchange for the government redeeming book-entry transfer JGBs (or paying interest, if the bonds are interest-only book-entry transfer JGBs), their bondholder or pledgee file an application with its immediately superior institution to make a deletion for the book-entry transfer JGBs of that issue which appear on its account, deleting the same amount from the account as the amount of the book-entry transfer JGBs that are being redeemed.</p>

		(8) On reaching a decision to delete a specific amount of book-entry transfer JGBs of a particular issue which have been entered or recorded in the institution's holdings column or pledge column of the institution-held account, a book-entry transfer institution must immediately make an entry or record of the reduction in the amount of the issue subject to the decision, in the column that is related to that decision.
Article 98	based on an application for book entry transfer,	based on an application for book entry transfer or a decision referred to in Article 95, paragraph (9) following the deemed replacement of terms pursuant to Article 48,
	(or in the column in which the information set forth in Article 91, paragraph (5), item (ii) is entered or recorded, for	or in the institution's holdings column of
Article 99	based on an application for book entry transfer,	based on an application for book entry transfer or a decision referred to in Article 95, paragraph (9) following the deemed replacement of terms under Article 48,
	pledge column of its account	pledge column of its account (or the institution's pledge column, for the institution held account)
Article 101	participant	participant and book-entry transfer institution

Article 102	based on an application for book entry transfer,	based on an application for book entry transfer or a decision referred to in Article 95, paragraph (9) following the deemed replacement of terms pursuant to Article 48,
Article 103, paragraph (1), item (i) and Article 107, paragraph (1), item (i)	the accounts of the participants of the book-entry transfer institution	the accounts of the participants of the book-entry transfer institution and the institution-held account
Article 278, paragraph (1)	or Article 95, paragraph (1)	or Article 95, paragraph (1), or issue a decision referred to in Article 95, paragraph (9) following the deemed replacement of terms pursuant to Article 48,
Article 281	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 282, paragraph (1), item (i)	Article 3, paragraph (1)	Article 47, paragraph (1)
	Article 25, paragraph (5), Article 27, paragraph (5), Article 29, paragraph (5) or Article 31, paragraph (5)	Article 31, paragraph (5) applied mutatis mutandis pursuant to Article 50
Article 282, paragraph (1), item (ii)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 22, paragraph (7) of the Supplementary Provisions	(7) On receiving the notice referred to in paragraph (5), item (i), the national government must immediately retire the registration related to the request for retirement prescribed in paragraph (3).	(7) On receiving the notice referred to in paragraph (5), item (i), the national government must immediately retire the registration related to the request for retirement prescribed in paragraph (3).

		<p>(8) On reaching a decision to enter or record the special deficit-financing bonds it holds in the book entry transfer receipts register, a book-entry transfer institution must immediately enter or record in the book entry transfer receipts register the information set forth in the items of Article 20, paragraph (1) of the Supplementary Provisions for the special deficit-financing bonds subject to that decision.</p> <p>(9) Having made entries or records in the book entry transfer receipts register pursuant to the preceding paragraph, a book-entry transfer institution must immediately take the following measures for the special deficit-financing bonds that are entered or recorded:</p> <p>(i) notify the national government the fact that it has made entries or records in the book entry transfer receipts register;</p> <p>(ii) make an entry or record of the increase in the amount of those special deficit-financing bonds in the column of the institution-held account in which entries or records are made for the information set forth in Article 91, paragraph (5), item (ii) following the deemed replacement of terms pursuant to Article 48.</p>
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(Special Provisions on Business Transfer Orders)

Article 49 If a book-entry transfer institution falls under one of the items of

Article 23, the competent minister may order it to transfer book-entry transfer business to the Bank of Japan that has obtained the designation referred to in Article 47, paragraph (1).

(Application Mutatis Mutandis of Authorization for a Business Transfer)

Article 50 The provisions of Article 31 apply mutatis mutandis to a book-entry transfer institution's transfer of all or some of its book-entry transfer business to the Bank of Japan. In such a case, the phrase "items of Article 4, paragraph (1)" in Article 31, paragraph (2), item (i) is deemed to be replaced with "Article 4, paragraph (1), item (i) and (iii) as applied mutatis mutandis pursuant to Article 47, paragraph (3)"; the phrase "items of Article 3, paragraph (1)" in paragraph (4), item (i) of that Article is deemed to be replaced with "items of Article 47, paragraph (1)"; the phrase "a book-entry transfer institution is the transferee company" in paragraph (5) of that Article is deemed to be replaced with "the Bank of Japan has obtained the designation referred to in Article 47, paragraph (1)"; and the phrase "Article 3, paragraph (1)" in that paragraph is deemed to be replaced with "Article 47, paragraph (1)".

### **Chapter III Participant Protection Trust**

#### **Section 1 Participant Protection Trust Contracts**

(Conclusion of Participant Protection Trust Contracts)

Article 51 (1) After obtaining the designation referred to in Article 3, paragraph (1), an book-entry transfer institution must conclude a participant protection trust contract as the settlor without delay; provided, however, that this does not apply if another book-entry transfer institution has already concluded a participant protection trust contract when the aforementioned book-entry transfer institution is so designated.

(2) A book-entry transfer institution that is released from the requirement to conclude a participant protection trust contract pursuant to the proviso of the preceding paragraph is deemed to have concluded a participant protection trust contract prescribed in the proviso of the preceding paragraph as a settlor.

(3) When a book-entry transfer institution concludes a participant protection trust contract pursuant to the main clause of paragraph (1) (including if the institution is deemed to have concluded a participant protection trust contract pursuant to the provisions of the preceding paragraph), it must specify the particulars concerning the participant protection trust in its operational rules without delay.

(Trustees)

Article 52 A participant protection trust contract must not be concluded unless

the trustee is a trust company or similar institution (meaning a trust company (limited to one that has obtained a license referred to in Article 3 or Article 53, paragraph (1) of the Trust Business Act (Act No. 154 of 2004)) or a financial institution engaged in trust business (meaning a financial institution that has obtained the authorization referred to in Article 1, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions (Act No. 43 of 1943); the same applies hereinafter); the same applies hereinafter).

(Beneficiaries)

Article 53 The beneficiaries of a participant protection trust are participants that hold claims subject to compensation prescribed in Article 60, paragraph (1).

(Designation of Trust Administrators)

Article 54 A trust administrator and the beneficiary agent must be designated in a participant protection trust contract.

(Establishment of Management Committees)

Article 55 (1) Participants protection trust contracts must provide for the establishment of a management committee.

(2) With the authorization of the competent minister, the trustee appoints and dismisses members of a management committee from among persons with the business or academic experience necessary for the appropriate management of the participant protection trust.

(Participant Protection Trust Contracts)

Article 56 The following particulars must be specified in a participant protection trust contract:

- (i) the fact that it is a participant protection trust;
- (ii) the particulars concerning the trust administrator and beneficiary agent;
- (iii) the particulars concerning the management committee;
- (iv) the particulars concerning the administration and management of the trust property;
- (v) the particulars concerning the calculation and payment method of trust fees, and the timing of their payment;
- (vi) the particulars concerning the disposal of trust property;
- (vii) the means of public notice; and
- (viii) other particulars prescribed by order of the competent ministry.

(Authorization)

Article 57 A book-entry transfer institution must receive the authorization of the

competent minister in advance pursuant to the provisions of order of the competent ministry when seeking to conclude a participant protection trust contract.

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

(Notice to Beneficiaries)

Article 58 If the current or former immediately superior institution of a participant is liable for damage that a book-entry transfer institution or account management institution has made to the participant by causing omission of an entry or record in the book-entry transfer account register or causing an erroneous entry or record to be made in the register, in violation of the following provisions (referred to as "erroneous entry or recording" in Article 60, paragraph (1)), and has become subject to an order commencing bankruptcy proceedings, order commencing rehabilitation proceedings, order commencing reorganization proceedings, order commencing special liquidation, or order recognizing foreign insolvency proceedings (hereinafter referred to as an "order commencing bankruptcy or similar proceedings" in this Article) (hereinafter such an institution is referred to as a "bankrupt current or former immediately superior institution" in this Section and Section 4), in addition to immediately notifying the trustee that it has become subject to an order commencing bankruptcy or similar proceedings and of other particulars specified by order of the competent ministry, the bankrupt current or former immediately superior institution must immediately report that fact to the competent minister:

- (i) the provisions of Article 69, paragraph (2) (including as applied mutatis mutandis pursuant to paragraph (3) of that Article (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)), Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i));
- (ii) the provisions of Article 70, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i));
- (iii) the provisions of Article 71, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i));
- (iv) the provisions of Article 72 (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i));

- (v) the provisions of Article 78, paragraph (5) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i));
- (vi) the provisions of Article 79, paragraph (5) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i));
- (vii) the provisions of Article 92, paragraph (2) (including as applied mutatis mutandis pursuant to Article 92, paragraph (3));
- (viii) the provisions of Article 93, paragraph (1), Article 94, paragraph (1), Article 95, paragraph (1), Article 96, paragraph (1), Article 97, Article 103, paragraph (5), Article 104, paragraph (5), Article 107, paragraph (6), Article 108, paragraph (5), Article 121-2, paragraph (4) or (5), Article 121-3, paragraph (4) or (5), Article 121-4, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article), Article 122-2, paragraph (4) or (5), or Article 124-2, paragraph (4) or (5);
- (viii)-2 the provisions of Article 127-5, paragraph (2) (including as applied mutatis mutandis pursuant to paragraph (3) of that Article), Article 127-7, paragraph (1), Article 127-9, paragraph (1), Article 127-10, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article), Article 127-11, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article) and paragraph (5), Article 127-12, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article) and paragraph (5), Article 127-13, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article) and paragraph (5), Article 127-15, Article 127-21, paragraph (5), and Article 127-22, paragraph (5);
- (ix) the provisions of Article 130, paragraph (2) (including as applied mutatis mutandis pursuant to paragraph (3) of that Article (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii));
- (x) the provisions of Article 132, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii));
- (xi) the provisions of Article 134, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii));
- (xii) the provisions of Article 135, paragraph (3) (including as applied mutatis



- mutandis pursuant to paragraph (4) of that Article (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii));
- (xiii) the provisions of Article 136, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii));
- (xiv) the provisions of Article 136, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii));
- (xv) the provisions of Article 137, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii));
- (xvi) the provisions of Article 137, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii));
- (xvii) the provisions of Article 138, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270, and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270, and Article 276, item (ii));
- (xviii) the provisions of Article 138, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270, and Article 276, item (ii));
- (xix) the provisions of Article 139 (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii));
- (xx) the provisions of Article 145, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii));
- (xxi) the provisions of Article 146, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii));
- (xxii) the provisions of Article 166, paragraph (2) (including as applied mutatis

- mutandis pursuant to paragraph (3) of that Article (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)), Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));
- (xxiii) the provisions of Article 168, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));
- (xxiv) the provisions of Article 170, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));
- (xxv) the provisions of Article 171, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)), Article 247-3, paragraph (1) and Article 276, item (iii));
- (xxvi) the provisions of Article 172 (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));
- (xxvii) the provisions of Article 173 (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));
- (xxviii) the provisions of Article 179, paragraph (5) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));
- (xxix) the provisions of Article 180, paragraph (5) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));
- (xxx) the provisions of Article 195, paragraph (2) (including as applied mutatis mutandis pursuant to paragraph (3) of that Article (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)), Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));
- (xxxi) the provisions of Article 197, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));
- (xxxii) the provisions of Article 199, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));
- (xxxiii) the provisions of Article 200, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv));

- (xxxiv) the provisions of Article 201 (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv));
- (xxxv) the provisions of Article 202, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv));
- (xxxvi) the provisions of Article 203, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv));
- (xxxvii) the provisions of Article 204 (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));
- (xxxviii) the provisions of Article 210, paragraph (6) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));
- (xxxix) the provisions of Article 211, paragraph (5) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));
- (xl) the provisions of Article 230, paragraph (2) or Article 240, paragraph (2);
- (xli) the provisions of Article 241, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article);
- (xlii) the provisions of Article 242, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article); and
- (xliii) the provisions of Article 242, paragraph (5).

(Public Notice)

Article 59 (1) On receiving the notice under the preceding Article, a trustee must hear the opinion of the management committee, establish the period and place for persons to file notification of claims subject to compensation prescribed in paragraph (1) of the following Article, specify other particulars prescribed by Cabinet Order, and issue public notice of that fact.

(2) A trustee may change the period for filing a notification specified in the public notice if, after the public notice has been issued pursuant to the preceding paragraph, a public notice under the provisions of Article 197, paragraph (1) of the Bankruptcy Act (Act No. 75 of 2004) is issued (including as applied mutatis mutandis pursuant to Article 209, paragraph (3) of that Act), a notice under the provisions of Article 65-2 is given, or any other circumstance specified by Cabinet Order arises with respect to the bankrupt current or former immediately superior institution.

(3) If a trustee changes the period for filing a notification pursuant to the provisions of the preceding paragraph, the trustee must issue public notice of the particulars concerning the change without delay.

- (4) Once a trustee establishes the particulars prescribed in paragraph (1) or changes the period for filing a notification pursuant to paragraph (2), the trustee must immediately report that fact to the competent minister.

(Issuing Payment to Beneficiaries)

- Article 60 (1) At the request of a participant, a trustee makes a payment pursuant to order of the competent ministry, in an amount equivalent to the claim for damage that the participant has incurred due to the erroneous entry or recording by book-entry transfer institution or account management institution (hereinafter referred to as a "claim due to erroneous entry or recording") and which the participant holds against the bankrupt current or former immediately superior institution at the commencement of bankruptcy proceedings or other proceedings (referred to as a "claim subject to compensation" in paragraph (6), the following Article, and Article 61-2).
- (2) The request referred to in the preceding paragraph may only be made within the period for filing a notification specified in the public notice issued pursuant to the provisions of paragraph (1) or (3) of the preceding Article; provided, however, that this does not apply if the trustee finds there to be a natural disaster or other compelling circumstances for the failure to make the request within the period for filing a notification.
- (3) The trustee must hear the opinion of the management committee in advance if they find there to be a natural disaster or other compelling circumstances for the failure to make the request pursuant to the preceding paragraph.
- (4) Notwithstanding the provisions of paragraph (1), if the amount required to be paid pursuant to that paragraph exceeds the amount specified by Cabinet Order, the trustee is to pay the amount specified by Cabinet Order.
- (5) Notwithstanding the provisions of paragraph (1) or the preceding paragraph, if the total amount required to be paid to all participants pursuant to the provisions of paragraph (1) and the preceding paragraph exceeds the amount of trust property in the participant protection trust, the payment is to be made in proportion to the part of the amount that is required to be paid to each participant pursuant to the provisions of paragraph (1) and the preceding paragraph.
- (6) Once a trustee makes a payment pursuant to the provisions of paragraph (1) or the preceding two paragraphs, the trustee acquires the claim subject to compensation related to the payment (or acquires a claim due to erroneous entry or recording against the principal obligor of the guarantee obligation, if the claim subject to compensation related to the payment is a claim that involves a guarantee obligation of the bankrupt current or former immediately superior institution) in proportion to the amount paid.

(Instructions by the Management Committee)

Article 61 When making a payment against a claim subject to compensation pursuant to the provisions of paragraph (1), paragraph (4), or paragraph (5) of the preceding Article, a trustee must ask for instructions on payment from the management committee. In such a case, the management committee must promptly verify the claim subject to compensation and give instructions.

(Application of the Income Tax Act)

Article 61-2 (1) If a participant receives the payment referred to in Article 60, paragraph (1) based on a claim subject to compensation, the bonds and other securities underlying the claim subject to compensation (limited to the part of the claim subject to compensation that the trustee has acquired based on the payment) is deemed to have been transferred from the participant to the trustee that made the payment, based on the amount paid and at the time the participant received the payment, and the provisions of the Income Tax Act (Act No. 33 of 1965) and other laws and regulations concerning income taxes apply.

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

### **Section 3 Dues**

(Payment of Dues to a Participant Protection Trust by Book-Entry Transfer Institution or Account Management Institution)

Article 62 (1) A book-entry transfer institution or account management institution (other than one set forth in Article 44, paragraph (1), item (xiii); the same applies in Article 64, paragraph (1)) must pay money for the trust property of a participants protection trust (hereinafter referred to as "dues" in this Section) to the trustee, pursuant to the provisions of order of the competent ministry.

(2) Money that a book-entry transfer institution places in trust as part of the trust property of a participant protection trust at the time it concludes a participant protection trust contract pursuant to the provisions of the main clause of Article 51, paragraph (1) are deemed to be dues.

(Amount of Dues)

Article 63 (1) The amount of dues is calculated using the method prescribed in the operational rules of the book-entry transfer institution in accordance with the standards prescribed by order of the competent ministry.

(2) The competent minister must exercise appropriate supervision to enable dues to be imposed fairly to the institutions as well as secure sufficient trust property for the participant protection trust.

(Late Payment Charges)

Article 64 (1) If a book-entry transfer institution or account management institution fails to pay dues by the due date prescribed in its operational rules, it must pay a late payment charge to the trustee, as part of the trust property of the participant protection trust.

(2) The late payment charge referred to in the preceding paragraph is calculated by multiplying the amount of the unpaid dues by an annual rate of 14.5%, in accordance with the number of days in the period running from the day after the due date to the date of payment.

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

(Application Mutatis Mutandis of the Act on Charitable Trust)

Article 65 The provisions of Article 4, paragraph (2) and Articles 5 through 9 of the Act on Charitable Trust (Act No. 62 of 1922) apply mutatis mutandis to a participant protection trust.

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

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

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

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

(Attribution of Rights)

Article 66 The attribution of rights (other than a claim for interest prescribed in Article 73) of the following corporate bonds which are handled by a book-entry transfer institution (hereinafter referred to as a "book-entry transfer corporate bond" in this Chapter) is established by the entries or records in a book-entry transfer account register as under the provisions of this Chapter:

(i) a corporate bond that satisfies all of the following requirements (referred to

as a "short-term corporate bond" in this Chapter):

- (a) the amount of each corporate bond is not less than one hundred million yen;
- (b) there are provisions on a fixed due date for the redemption of the principal that is within one year from the day on which the total amount of the corporate bonds is paid in, and there are no provisions on payment by installment;
- (c) there are provisions establishing that the due date for the payment of interest is the same day as the due date for the redemption of the principal referred to in (b);
- (d) the bond is not secured by collateral pursuant to the provisions of the Secured Bonds Trust Act (Act No. 52 of 1905); and
- (ii) a corporate bond that is provided for in a decision to issue corporate bonds establishing that all corporate bonds issued based on that decision will be subject to the application of this Act.

(Non-Issuance of Corporate Bond Certificates)

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

(2) Notwithstanding the provisions of the preceding paragraph, if a book-entry transfer institution that handles book-entry transfer corporate bonds has its designation under Article 3, paragraph (1) revoked pursuant to the provisions of Article 22, paragraph (1) or the designation expires pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the book-entry transfer business of the book-entry transfer institution, or if a book-entry transfer institution that handles book-entry transfer corporate bonds ceases to handle the book-entry transfer corporate bonds, the holder of the book-entry transfer corporate bond may ask the issuer to issue a corporate bond certificate.

(3) A corporate bond certificate referred to in the preceding paragraph is to be in bearer form.

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

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

Article 68 (1) A book-entry transfer account register is subdivided by account for each participant.

(2) The account of an account management institution in a book-entry transfer account register is subdivided as follows:

- (i) an account in which entries or records are made for book-entry transfer

- corporate bonds for which the account management institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter);
- (ii) an account in which entries or records are made for book-entry transfer corporate bonds under which the participants of the account management institution or of its subordinate institution hold rights (hereinafter referred to as a "customer account" in this Chapter).
- (3) The following information is to be entered or recorded for each account (excluding a customer account) in a book-entry transfer account register:
- (i) the name and address of the participant;
- (ii) the issuer's trade name and the type of book-entry transfer corporate bond (hereinafter referred to as the "issue" in this Chapter);
- (iii) the amount of book-entry transfer corporate bonds by issue (other than those set forth in the following item);
- (iv) if the participant is a pledgee, an indication of that fact and the amount of book-entry transfer corporate bonds underlying the pledge by issue;
- (v) if the participant is the trustee of a trust, indication of that fact and the amount of the book-entry transfer corporate bonds referred to in the preceding two items which constitute trust property; and
- (vi) other information specified by Cabinet Order.
- (4) The following information is to be entered or recorded for each customer account in a book-entry transfer account register:
- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
- (ii) the amount of book-entry transfer corporate bonds by issue; and
- (iii) other information specified by Cabinet Order.
- (5) If a book-entry transfer institution opens an institution-held account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
- (ii) the amount of book-entry transfer corporate bonds by issue; and
- (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one specified by order of the competent ministry).

(New Entries or Records to be Made upon Issuance of Book-Entry Transfer Corporate Bonds)

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

- (i) the issue of book-entry transfer corporate bonds that have been issued;



- (ii) the names of the participants that are the holders or pledgees of the book-entry transfer corporate bonds referred to in the preceding item;
  - (iii) the accounts opened for the participants referred to in the preceding item, in which book entries are to be made for the book-entry transfer corporate bonds referred to in item (i);
  - (iv) the amount of book-entry transfer corporate bonds referred to in item (i) for each participant (other than those set forth in the following item);
  - (v) if the participant is a pledgee, indication of that fact and the amount of book-entry transfer corporate bonds underlying the pledge referred to in item (i);
  - (vi) if the participant is the trustee of a trust, indication of that fact and the amount of book-entry transfer corporate bonds referred to in item (iv) and the preceding item which constitute trust property; and
  - (vii) the total amount of book-entry transfer corporate bonds referred to in item (i) and other information specified by order of the competent ministry.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has received the notice must immediately take the following measures for the issue of the book-entry transfer corporate bonds that has been notified:
- (i) to make the following entries or records, if the book-entry transfer institution is the one that has opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or a record showing the increase in the amount referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph (limited to one that is a bondholder referred to in that item), in the column of the account for entering or recording the information set forth in paragraph (3), item (iii) of the preceding Article (hereinafter referred to as the "holdings column" in this Chapter);
    - (b) an entry or record of the increase in the amount referred to in item (v) of the preceding paragraph for a participant referred to in item (ii) of that paragraph (limited to one that is a pledgee referred to in that item), in the column of the account for entering or recording the information set forth in paragraph (3), item (iv) of the preceding Article (hereinafter referred to as the "pledge column" in this Chapter);
    - (c) an entry or record in the account of the increase in the amount of the book-entry transfer corporate bonds that constitute trust property referred to in item (vi) of the preceding paragraph.
  - (ii) if the book-entry transfer institution is not the one that opened the account referred to item (iii) of the preceding paragraph, to make an entry or record of the increase in the sum of the amounts referred to in items (iv) and (v) of the preceding paragraph for a participant referred to in item (ii) of that

paragraph, in the customer account under the account of the book-entry transfer institution's immediately subordinate institution that is the superior institution of that participant, and to give notice of the information set forth in items (i) through (vi) of that paragraph to the immediately subordinate institution.

- (3) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) is given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has received the notice.

(Procedures If a Company is Unable to Identify the Account of the Bondholder)

Article 69-2 (1) If a company seeks to deliver book-entry transfer corporate bonds of a particular issue and is unable to identify the account that has been opened for the holder or pledgee of those bonds in which book entries are to be made for book-entry transfer corporate bonds, the company (or the person specified by order of the competent ministry as being equivalent to the company, if the company is delivering book-entry transfer corporate bonds at the time of a consolidation-type merger or in other cases specified by order of the competent ministry; hereinafter referred to as the "notifier" in this Article) must notify the person prescribed by order of the competent ministry as a person that is to become the holder or pledgee of those book-entry transfer corporate bonds of the following information, by one month prior to the fixed date referred to in item (i):

- (i) the fact that the company will give the notice referred to in paragraph (1) of the preceding Article or file an application for a book-entry transfer for the holder (other than the holder of corporate bonds underlying the pledge, if there is a pledgee) or pledgee of the book-entry transfer corporate bonds on a fixed date;
  - (ii) the fact that the notifier must be notified of the account opened for the bondholder or pledgee referred to in the preceding item (other than an account opened by a book-entry transfer institution or account management institution based on a request referred to in the main clause of paragraph (3)) in which book entries are to be made for the book-entry transfer corporate bonds, by the fixed date referred to in that item;
  - (iii) the name and address of the book-entry transfer institution or account management institution that opens an account based on the request referred to in the main clause of paragraph (3); and
  - (iv) other information specified by order of the competent ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than the company referred to in that paragraph, the notifier must notify that company, on the fixed date referred to in item (i) of that paragraph, of the

account referred to in item (ii) of that paragraph which the bondholder or pledgee referred to in that item has notified.

- (3) If the bondholder or pledgee referred to paragraph (1), item (i) does not notify the notifier of the account referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the company must request the book-entry transfer institution or account management institution referred to in item (iii) of that paragraph to open an account for the bondholder or pledgee in which book entries are to be made for book-entry transfer corporate bonds (hereinafter referred to as a "special account"); provided, however, that this does not apply if there is a special account that the company has requested be opened for the bondholder or pledgee.
- (4) If a company is the issuer of corporate bonds that constitute book-entry transfer corporate bonds referred to paragraph (1) and has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the book-entry transfer institution for those corporate bonds.
- (5) In the case prescribed in paragraph (1), when a company gives the notice referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) that has been notified by the bondholder or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested to be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.

#### (Book-Entry Transfer Procedures)

- Article 70 (1) If an application for a book-entry transfer for book-entry transfer corporate bonds of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (8) and as indicated in the application pursuant to the provisions of paragraph (3), enter or record the reduction or increase in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction or increase.
- (2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is an application that the participant files with its immediately superior institution for whom the reduction is entered or recorded in their account (excluding a customer account) by the book-entry transfer.
  - (3) A person filing an application referred to in paragraph (1) must indicate the following information in that application:
    - (i) the issue and the amount of book-entry transfer corporate bonds for which the reduction and increase are required to be entered or recorded when the book-entry transfer is made;

- (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the participant referred to in the preceding paragraph;
  - (iii) the account in which the entry or record of the increase is required to be made (excluding a customer account; hereinafter referred to as the "transferee account" in this Section); and
  - (iv) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (excluding an institution-held account).
- (4) If an application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
- (i) make an entry or record of the reduction in the amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book-entry transfer" in this Article), in the holdings column or the pledge column of the account of the participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
  - (ii) notify the immediately superior institution of the information indicated pursuant to the provisions of item (i), item (iii), and item (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution concerning the book-entry transfer;
  - (iii) make an entry or record of the increase in the amount subject to book-entry transfer, in the holdings column or the pledge column of the transferee account, as indicated pursuant to the provisions of item (iv) of the preceding paragraph (or in the column in which the information set forth in Article 68, paragraph (5), item (ii) is entered or recorded, for an institution-held account; hereinafter referred to as the "transferee column"), if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) make an entry or record of the increase in the amount subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with the transferee account, and notify the immediately subordinate institution of the information indicated pursuant to the provisions of item (i), item (iii), and item (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.

- (5) If a notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the reduction in the amount subject to book-entry transfer, in the customer account under the account of the account management institution that has given the notice;
  - (ii) notify the immediately superior institution of the information of which it has received notice pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the amount subject to book-entry transfer, in the transferee column of the transferee account, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) make an entry or record of the increase in the amount subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with the transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the person that has opened the transferee account.
- (6) The provisions of the preceding paragraph apply *mutatis mutandis* to a book-entry transfer institution or account management institution that has received the notice, if the notice referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph) has been made.
- (7) If the notice referred to in paragraph (4), item (iv) or paragraph (5), item (iv) (including as applied *mutatis mutandis* pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) has been given, the account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the amount subject to book-entry transfer, in the transferee column of the transferee account, if the account management institution is the one that opened the transferee account;
  - (ii) make an entry or record of the increase in the amount subject to book-entry transfer, in the customer account under the account of the immediately

subordinate institution to the account management institution that is the superior institution of the participant with the transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of paragraph (4), item (iv) or paragraph (5), item (iv), if the account management institution is not the one that opened the transferee account.

- (8) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has been notified.

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

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

- (2) If, before the notice referred to in Article 69, paragraph (1) is given or an application for a book-entry transfer involving book-entry transfer corporate bonds of a particular issue is filed, a person that acquired shares in a company disappearing in a merger but that cannot be delivered the book-entry transfer corporate bonds that replace those shares at the time of the merger because no entry or record has been made for the person in the shareholder register, or any other person specified by order of the competent ministry (hereinafter referred to as the "acquirer or other such person" in this paragraph) files a joint request together with the participant with the special account in which the book-entry transfer corporate bonds have been entered or recorded, after giving the notice or filing the application for a book-entry transfer, the issuer must take the following actions. The same applies if the acquirer or other such person files a request by attaching an authenticated copy or certified copy of an enforceable judgment that orders the participant to file the request or attaching any other document specified by order of the competent ministry as being equivalent to the copy, or in cases prescribed by order of the competent ministry as those that are unlikely to harm the interests of the participant and other interested persons even if the issuer takes the following actions upon the request by the acquirer or other such person.
- (i) filing a request referred to in the main clause of Article 69-2, paragraph (3) for the acquirer or other such person; and
  - (ii) filing an application for the book-entry transfer of those book-entry transfer corporate bonds in the transferee account that has been opened based on the request referred to in the preceding item.

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

(Transfer of Special Accounts)

Article 70-3 (1) The issuer of book-entry transfer corporate bonds that have been entered or recorded in a special account may request a book-entry transfer institution or account management institution other than the book-entry transfer institution or account management institution that has opened the special account (referred to as the "pre-transfer book-entry transfer institution or account management institution" in the following paragraph and paragraph (3)) to open a special account in which book entries are to be made for the book-entry transfer corporate bonds for the participants with the former special account.

- (2) The request referred to in the preceding paragraph must be filed collectively for all participants with the special account opened by the pre-transfer book-entry transfer institution or account management institution in which book entries are to be made for the book-entry transfer corporate bonds (referred to as the "pre-transfer special account" in the following paragraph and paragraph (4)); provided, however, that this does not apply to the participant when the special account that the issuer referred to in the preceding paragraph has requested to be opened for the participant exists at the book-entry transfer institution or account management institution to which the request referred to in that paragraph has been filed.
- (3) The issuer referred to in paragraph (1) may file an application with the pre-transfer book-entry transfer institution or account management institution for a book-entry transfer, using the post-transfer special account (meaning the special account opened based on the request referred to in that paragraph or the special account referred to in the proviso to the preceding paragraph; the same applies in the following paragraph) as the transferee account, with regard to all book-entry transfer corporate bonds entered or recorded in the pre-transfer special account.
- (4) If the issuer referred to in paragraph (1) files an application referred to in the preceding paragraph, the issuer must, without delay, notify the participants with the pre-transfer special account of the name and address of the book-entry transfer institution or account management institution that has opened the post-transfer special account.

(Deletion Procedures)

Article 71 (1) If an application for the deletion of a book-entry transfer corporate bond of a particular issue has been filed, a book-entry transfer institution or

account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.

- (2) The application referred to in the preceding paragraph is an application that the participant for whom the reduction resulting from the deletion will be entered or recorded in their account (excluding a customer account) files with their immediately superior institution.
- (3) A participant filing the application referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
  - (i) the issue and the amount of book-entry transfer corporate bonds for which the reduction is required to be entered or recorded when the deletion is made; and
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account.
- (4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
  - (i) make an entry or record of the reduction in the amount referred to in item (i) of the preceding paragraph, in the holdings column or pledge column of the applicant's account indicated pursuant to the provisions of item (ii) of the preceding paragraph; and
  - (ii) notify the immediately superior institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (5) If a notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
  - (i) make an entry or record of the reduction in the amount referred to in paragraph (3), item (i), in the customer account under the account of the account management institution that has given the notice; and
  - (ii) notify the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that received the notice referred to in item (ii) of the preceding paragraph (including as applied



mutatis mutandis pursuant to this paragraph), if the notice has been given.

(7) Unless an issuer goes through a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee) or a trust company under the trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act (referred to as a "bond administrator or similar person" in the following paragraph) to redeem book-entry transfer corporate bonds for a bondholder or pledgee, the issuer may demand that, in exchange for the issuer to redeem book-entry transfer corporate bonds, the bondholder or pledgee file an application with its immediately superior institution to delete the same amount from the account as the amount of the book-entry transfer corporate bonds that are being redeemed for the book-entry transfer corporate bonds of that issue which appear on its account.

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

(Procedures for Changing Entries or Records)

Article 72 If a book-entry transfer institution or account management institution learns that there has been a change to the information set forth in one of the items of Article 68, paragraph (3), paragraph (4), or paragraph (5) in the book-entry transfer account register that it keeps, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book-Entry Transfers**

(Transfer of Book-Entry Transfer Corporate Bonds)

Article 73 A transfer of book-entry transfer corporate bonds (other than a claim for interest that has become due without being seized; the same applies in the following Article through Article 77) does not take effect unless the transferee has had an entry or record made in the holdings column of its account (or in the column in which the information set forth in Article 68, paragraph (5), item (ii) is to be entered or recorded, for the institution-held account), based on an application for book-entry transfer, for the increase in the amount of book-entry transfer corporate bonds subject to the transfer.

(Pledge of Book-Entry Transfer Corporate Bonds)

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

amount of the book-entry transfer corporate bonds subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Corporate Bonds That Come Under Trust Property)

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

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

(Presumed Rights of Participants)

Article 76 A participant is presumed to be the lawful holder of the rights under a book-entry transfer corporate bond that has been entered or recorded in their account (limited to their own account, if the account is that of an account management institution).

(Acquisition in Good Faith)

Article 77 A participant (or a book-entry transfer institution with an institution-held account) that has had an entry or record made in their account (limited to their own account, if the account is that of an account management institution), based on an application for book-entry transfer, for the increase in book-entry transfer corporate bonds of a particular issue acquires the rights associated with the entry or record for the increase in the book-entry transfer corporate bonds of that issue; provided, however that this does not apply if the participant has acted in bad faith or with gross negligence.

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

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

(i) the aggregate amount of book-entry transfer corporate bonds of that issue

- which has been entered or recorded in the accounts of the participants of the book-entry transfer institution, in the book-entry transfer account register kept by that book-entry transfer institution;
- (ii) the total issued amount (other than any amount that has been redeemed) of book-entry transfer corporate bonds of that issue.
- (2) If there is any amount prescribed in item (i) of the preceding paragraph for which an entry or record of the increase or reduction has been made in the account prescribed in that item, but the rights associated with the entry or record have not arisen, have not been transferred, or have not been extinguished, and it is proved that no one has acquired book-entry transfer corporate bonds pursuant to the provisions of the preceding Article in the amount for which the entry or record has been made, that amount is treated as if no entry or record was created.
- (3) Once a book-entry transfer institution acquires book-entry transfer corporate bonds pursuant to the provisions of paragraph (1), it assumes the duty to immediately manifest its intention to release the issuer from all obligations related to those book-entry transfer corporate bonds to the issuer.
- (4) The rights under the book-entry transfer corporate bonds prescribed in the preceding paragraph are extinguished once an intention to release the obligations is manifested pursuant to that paragraph.
- (5) Once a book-entry transfer institution manifests its intention to release the obligations pursuant to the provisions of paragraph (3) with respect to book-entry transfer corporate bonds, it must immediately make deletions for those book-entry transfer corporate bonds in the book-entry transfer account register.

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

Article 79 (1) In the case prescribed in paragraph (1) of the preceding Article, if there is an account management institution for which the total amount referred to in item (i) comes to exceed the amount referred to in item (ii), the account management institution has a duty to manifest its intention to release the issuer from all obligations related to book-entry transfer corporate bonds of that issue in an amount equal to the overage (meaning the amount obtained by deducting the amount referred to in item (ii) from the total amount referred to in item (i)) to the issuer:

- (i) the total amount of book-entry transfer corporate bonds of that issue which have been entered or recorded in the accounts of the participants of the account management institution, in the book-entry transfer account register kept by that account management institution;
- (ii) the total amount of book-entry transfer corporate bonds of that issue which have been entered or recorded in the customer account under the account of

- the account management institution, in the book-entry transfer account register kept by its immediately superior institution.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the following particulars:
- (i) the amount prescribed in item (i) of the preceding paragraph; and
  - (ii) the amount set forth in item (ii) of the preceding paragraph, if an entry or record of the increase or reduction has been made in the customer account prescribed in that item but the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished.
- (3) In the case referred to in paragraph (1), if the account management institution does not hold book-entry transfer corporate bonds of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it assumes the duty to acquire book-entry transfer corporate bonds in that issue until its holdings reach the amount of the overage, before manifesting its intention to release the obligations under the provisions of that paragraph.
- (4) Once an account management institution manifests its intention to release the obligations pursuant to the provisions of paragraph (1), it must immediately notify its immediately superior institution of the the following particulars:
- (i) that it has manifested the intention to release the obligations; and
  - (ii) the issue and the amount of book-entry transfer corporate bonds associated with the manifestation of the intention to release the obligation.
- (5) When the immediately superior institution referred to in the preceding paragraph receives the notice referred to in that paragraph, it must immediately make the following entries or records regarding book-entry transfer corporate bonds of that issue set forth in item (ii) of that paragraph in the book-entry transfer account register that it keeps:
- (i) an entry or record of the reduction in the amount set forth in item (ii) of the preceding paragraph in the institution's own account under the account of the account management institution referred to in the preceding paragraph; and
  - (ii) an entry or record of the increase in the amount set forth in item (ii) of the preceding paragraph in the customer account under the account referred to in the preceding item.

(Handling in the Event of Non-Performance of Obligations Concerning Entries or Records of Overages by Book-Entry Transfer Institutions)

Article 80 (1) In the case prescribed in Article 78, paragraph (1), until the book-entry transfer institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the

issuer does not assume the duty to redeem the principal or pay interest on the part of the book-entry transfer corporate bonds of that issue that each bondholder holds which corresponds to the amount obtained when the percentage of the amount referred to in item (i) in the total amount of the amount referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the obligation if a part of the obligation referred to in paragraph (3) of that Article has been performed) (hereinafter referred to as the "maximum amount ascribable to the book-entry transfer institution" in this Article and Article 85):

- (i) the amount of book-entry transfer corporate bonds of that issue that the bondholder holds (or, if the book-entry transfer institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount obtained by deducting the maximum amount ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder for the subordinate institution (but only in respect of the holder of a book-entry transfer corporate bond that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
  - (ii) the total amount of book-entry transfer corporate bonds of that issue that all bondholders hold (or, if the book-entry transfer institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount obtained by deducting the total of the maximum amounts ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of book-entry transfer corporate bonds for the subordinate institution that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution).
- (2) In the case prescribed in Article 78, paragraph (1), the book-entry transfer institution prescribed in that paragraph assumes the following duties toward each bondholder:
- (i) in the case referred to in the preceding paragraph, the duty to redeem the principal and pay interest, in lieu of the issuer, on the part of the book-entry transfer corporate bonds of the issue that each bondholder holds, up to the maximum amount ascribable to the book-entry transfer institution;

(ii) beyond what is set forth in the preceding item, the duty to indemnify the bondholder for any damage caused by non-performance of obligations referred to in Article 78, paragraph (1) or (3).

(Handling in the Event of Non-Performance of Obligations Concerning Entries or Records of Overages by Account Management Institutions)

Article 81 (1) In the case prescribed in Article 79, paragraph (1), until the account management institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the issuer does not assume the obligation to redeem the principal or pay interest on the part of the book-entry transfer corporate bonds of the issue that a holder (but only the holder of a book-entry transfer corporate bond that has been entered or recorded in an account opened by that account management institution or by its subordinate institution) holds which corresponds to the amount obtained when the percentage of the amount referred to in item (i) in the total amount referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the obligation, if a part of the obligation referred to in that paragraph has been performed) (hereinafter referred to as the "maximum amount ascribable to the account management institution" in this Article and Article 85):

(i) the amount of book-entry transfer corporate bonds of that issue that the holder holds (or, if the account management institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of Article 79, paragraph (1), the amount obtained by deducting the maximum amount ascribable to the account management institution for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder for the subordinate institution (but only in respect of the holder of a book-entry transfer corporate bond that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));

(ii) the total amount of book-entry transfer corporate bonds of that issue held by all of the holders of bonds entered or recorded in accounts opened by the account management institution or by its subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of Article 79, paragraph (1), the amount obtained by deducting the total of the maximum amounts ascribable to the account management institution in respect of all of the holders of book-entry transfer corporate bonds that have

been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the overage prescribed in paragraph (1) of the preceding Article for the subordinate institution).

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

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

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

- (2) In the case referred to in the preceding paragraph, a bondholder does not assume the duty to return to the issuer the amount of the principal redeemed or interest paid as prescribed in that paragraph.
- (3) If an issuer redeems principal or pays interest as prescribed in paragraph (1), the issuer acquires the rights of a bondholder under the provisions of Article 80, paragraph (2), item (i) or paragraph (2), item (i) of the preceding Article toward the book-entry transfer institution or account management institution, to the extent of the amount prescribed in the preceding paragraph.

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

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

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

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

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

Article 84 (1) The issuer of book-entry transfer corporate bonds must indicate the fact that the provisions of this Act apply to the book-entry transfer corporate bonds in the notice pursuant to the provisions of Article 677, paragraph (1) of the Companies Act concerning the book-entry transfer corporate bonds; provided, however, that this does not apply to short-term corporate bonds.

(2) A corporate bond register for book-entry transfer corporate bonds must enter or record the fact that this Act applies to those book-entry transfer corporate bonds.

(3) A person making an offer to subscribe for book-entry transfer corporate bonds must state in the document referred to in Article 677, paragraph (2) of the Companies Act, the account opened for them in which book entries are to be made for the book-entry transfer corporate bonds, or indicate the account to the issuer of those book-entry transfer corporate bonds at the time of concluding the agreement referred to in Article 679 of that Act.

(4) A person seeking to be delivered book-entry transfer corporate bonds pursuant to a request under the provisions of the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company delivering those book-entry transfer corporate bonds the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer corporate bonds.

(Voting Rights of Bondholders in Cases of Non-Performance of Obligations Concerning Entries or Records of Overages)

Article 85 (1) Notwithstanding the provisions of Article 723, paragraph (1) of the Companies Act, in the case referred to in Article 80, paragraph (1) or Article 81, paragraph (1), each bondholder holds voting rights that may be exercised at a bondholders meeting in proportion to the amount of corporate bonds held by them (other than the sum of the maximum amount ascribable to the book-entry transfer institution and the maximum amount ascribable to the account management institution).

(2) In applying the provisions of Article 718, paragraph (1) and Article 736, paragraph (1) of the Companies Act, and Article 49, paragraph (1) of the Secured Bonds Trust Act, a bondholder referred to in Article 80, paragraph (1) or Article 81, paragraph (1) is deemed not to hold the corporate bonds that correspond to the maximum amount ascribable to the book-entry transfer institution and the maximum amount ascribable to the account management institution.



(Presentation of Certificates)

Article 86 (1) In order to demand convocation of a bondholders meeting pursuant to the provisions of Article 718, paragraph (1) of the Companies Act, convocation of a bondholders meeting pursuant to the provisions of paragraph (3) of that Article, exercise of voting rights at a bondholders meeting, or inspection of the state of storage of collateral under the provisions of Article 49, paragraph (1) of the Secured Bonds Trust Act, the holder of book-entry transfer corporate bonds, after being issued a document pursuant to the provisions of the main clause of paragraph (3), must present that document to the person that each of the following items prescribes in accordance with the category of cases set forth in the item:

(i) if there is a bond administrator: the bond administrator;

(ii) if there is an assistant bond administrator: the assistant bond administrator;

(iii) if there is a trustee company under a trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act: the trustee company; and

(iv) in cases other than those set forth in the preceding three items: the issuer.

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

(3) A holder of book-entry transfer corporate bonds may demand that its immediately superior institution deliver a document certifying the information set forth in the items of Article 68, paragraph (3) with regard to the book-entry transfer corporate bonds entered or recorded under its own account in the book-entry transfer account register kept by its immediately superior institution; provided, however, that this does not apply to a person that has already been delivered a document under the provisions of this paragraph with regard to those book-entry transfer corporate bonds and that has not returned that document to its immediately superior institution.

(4) A bondholder that has been delivered a document pursuant to the main clause of the preceding paragraph may not file an application for book-entry transfer or deletion of the book-entry transfer corporate bonds certified by the document until the bondholder returns that document to the immediately superior institution referred to in that paragraph.

(Special Provisions of the Companies Act on Mergers)

Article 86-2 (1) If a company surviving an absorption-type merger (meaning a company surviving an absorption-type merger prescribed in Article 749, paragraph (1) of the Companies Act; the same applies hereinafter) or the

wholly owning parent company resulting from a share exchange prescribed in Article 767 of that Act (hereinafter collectively referred to as the "surviving company or wholly owning company" in this Chapter and Chapters VII through IX), or a company incorporated in a consolidation-type merger (meaning a company incorporated in a consolidation-type merger prescribed in Article 753, paragraph (1) of that Act) or the wholly owning parent company incorporated in a share transfer prescribed in Article 773, paragraph (1), item (i) of that Act (hereinafter collectively referred to as the "incorporated company or wholly owning company" in this Chapter and Chapters VII through IX) seeks to deliver book-entry transfer corporate bonds at the time of the absorption-type merger or share exchange (hereinafter collectively referred to as an "absorption-type merger or share exchange" in this Chapter and Chapters VII through IX) or at the time of the consolidation-type merger or share transfer (hereinafter collectively referred to as a "consolidation-type merger or share transfer" in this Chapter and Chapters VII through IX), the company must give a notice referred to in Article 69-2, paragraph (1), item (i) by using the day the absorption-type merger or share exchange takes effect or the date of incorporation of the incorporated or wholly owning company (hereinafter collectively referred to as the "effective date of merger or date of incorporation" in this Chapter and Chapters VII through IX) as the fixed date referred to in that item.

- (2) If a surviving company or wholly owning company seeks to transfer book-entry transfer corporate bonds at the time of the absorption-type merger or share exchange, the company must file an application for book entry of those book-entry transfer corporate bonds after the effective date of merger or date of incorporation without delay.
- (3) If a membership company implements a merger and the company surviving an absorption-type merger or the company incorporated in a consolidation-type merger seeks to deliver book-entry transfer corporate bonds at the time of the merger, the company must specify in the merger agreement the accounts (excluding a special account) that have been opened for the members of the membership company in which book entries are to be made for those book-entry transfer corporate bonds.
- (4) If the company succeeding in an absorption-type company split (meaning the company succeeding in an absorption-type company split prescribed in Article 757 of the Companies Act; the same applies hereinafter) or the company incorporated in an incorporation-type company split (meaning the company incorporated in an incorporation-type company split prescribed in Article 763, paragraph (1) of that Act; the same applies hereinafter) seeks to deliver book-entry transfer corporate bonds at the time of the company split, the company must specify in the absorption-type company split agreement or incorporation-

type company split plan, the account (excluding a special account) that has been opened for the company implementing the split in which book entries are to be made for those book-entry transfer corporate bonds.

(Special Provisions of the Companies Act on Share Delivery)

Article 86-3 (1) If the corporate bonds referred to in Article 774-3, paragraph (1), item (v), (a) or item (viii), (b) of the Companies Act are book-entry transfer corporate bonds, the parent company resulting from a share delivery (meaning the parent company resulting from a share delivery prescribed in item (i) of that paragraph; hereinafter the same applies in this Article, Article 160-2, Article 189-2, and Article 223-2) must indicate the fact that the provisions of this Act apply to those book-entry transfer corporate bonds in the notice pursuant to the provisions of Article 774-4, paragraph (1) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act) concerning the book-entry transfer corporate bonds; provided, however, that this does not apply to short-term corporate bonds.

(2) In the case referred to in the preceding paragraph, a person making an offer referred to in Article 774-4, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act; hereinafter the same applies in this paragraph) (excluding a person that will not become a holder of book-entry transfer corporate bonds issued by the share delivery parent company pursuant to the provisions concerning the particulars set forth in Article 774-3, paragraph (1), item (vi) or (ix) of that Act) must state in the document referred to in Article 774-4, paragraph (2) of that Act, the account opened for them in which book entries are to be made for the book-entry transfer corporate bonds (excluding a special account) or indicate this account to the issuer of those book-entry transfer corporate bonds at the time of concluding the agreement referred to in Article 774-6 of that Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).

(3) If a parent company resulting from a share delivery seeks to transfer book-entry transfer corporate bonds at the time of the share delivery, the company must file an application for book entry of those book-entry transfer corporate bonds after the day on which the share delivery takes effect without delay.

(Exclusion from Application)

Article 86-4 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) through (3), Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1), and Article 695-2, paragraphs (1) through (3) do not apply to book-entry transfer corporate bonds.

## **Section 5 Miscellaneous Provisions**

- Article 87 (1) If a notice referred to in Article 69, paragraph (1) has been given, the book-entry transfer institution that has been notified must immediately take measures that enable the participants to learn the information set forth in item (vii) of that paragraph concerning book-entry transfer corporate bonds of the issue related to the notice, by the means prescribed by Cabinet Order.
- (2) The expenses incurred in connection with the measures referred to in the preceding paragraph are borne by the issuer of the book-entry transfer corporate bonds referred to in that paragraph.

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

### **Section 1 General Rules**

#### (Attribution of Rights)

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

#### (Non-Issuance of Japanese Government Bond Certificates)

- Article 89 (1) Japanese government bond certificates may not be issued for book-entry transfer JGBs.
- (2) Notwithstanding the preceding paragraph, if a book-entry transfer institution that handles book-entry transfer JGBs has the designation under Article 3, paragraph (1) revoked pursuant to the provisions of Article 22, paragraph (1) or the designation expires pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to its book-entry transfer business, or if a book-entry transfer institution that handles book-entry transfer JGBs ceases to handle those book-entry transfer JGBs, the holder of the book-entry transfer JGB may ask the national government to issue Japanese government bond certificates.

#### (Definitions)

Article 90 (1) The term "strippable book-entry transfer JGBs" as used in this Chapter means book-entry transfer JGBs designated by the Minister of Finance as one for which an application to separate into a principal portion and an interest portion (hereinafter referred to as "bond stripping") may be filed pursuant to the provisions of Article 93, paragraph (1).

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

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

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

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

- (2) The account of an account management institution in a book-entry transfer account register is subdivided as follows:
  - (i) an account in which entries or records are made for book-entry transfer JGBs under which the account management institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter);
  - (ii) an account in which entries or records are made for book-entry transfer JGBs under which the participants of the account management institution or of its subordinate institution hold rights (hereinafter referred to as a "customer account" in this Chapter).
- (3) The following information are entered or recorded for each account (excluding a customer account) in a book-entry transfer account register:
  - (i) the name and address of the participant;
  - (ii) the information set forth in the following sub-items in accordance with the category of Japanese government bond prescribed in each sub-item (hereinafter referred to as the "issue" in this Chapter):
    - (a) strippable book-entry transfer JGBs: an indication of the fact that it is a strippable book-entry transfer JGB, its name and code, and information sufficient to identify the interest rate and the interest payment date;
    - (b) principal-only book-entry transfer JGBs: an indication of the fact that it is a principal-only book-entry transfer JGB, as well as the name and code of the book-entry transfer JGB before stripping;
    - (c) interest-only book-entry transfer JGBs: an indication of the fact that it is an interest-only book-entry transfer JGB, and information sufficient to identify the interest payment date; and
    - (d) other book-entry transfer JGBs: its name and code.
  - (iii) the amount of book-entry transfer JGBs by issue (other than one set forth

- in the following item);
  - (iv) if the participant is a pledgee, that fact and the amount of book-entry transfer JGBs underlying the pledge by issue;
  - (v) if the participant is the trustee of a trust, that fact and the amount of the book-entry transfer JGBs referred to in the preceding two items which constitute trust property; and
  - (vi) other information specified by Cabinet Order.
- (4) The following information are entered or recorded for each customer account in a book-entry transfer account register:
- (i) the particulars set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the amount of book-entry transfer JGBs by issue; and
  - (iii) other particulars specified by Cabinet Order.
- (5) If a book-entry transfer institution opens an institution-held account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the amount of book-entry transfer JGBs by issue; and
  - (iii) other particulars specified by Cabinet Order.
- (6) A book-entry transfer account register may be prepared as an electronic or magnetic record (limited to one specified by order of the competent ministry).

(New Entries or Records to be Made upon Issuance of Book-Entry Transfer JGBs)

- Article 92 (1) On issuing book-entry transfer JGBs of a particular issue, the national government must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information:
- (i) the issue of book-entry transfer JGBs that it has issued;
  - (ii) the names of the participants acquiring the book-entry transfer JGBs referred to in the preceding item;
  - (iii) the accounts prescribed in Article 112 for the participants referred to in the preceding item;
  - (iv) the amount of book-entry transfer JGBs acquired by each participant;
  - (v) the total amount of book-entry transfer JGBs and other particulars specified by order of the competent ministry.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately take the following measures for the issue of book-entry transfer JGBs related to the notice:
- (i) an entry or record of the increase in the amount referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that

paragraph, if the book-entry transfer institution is the one that opened the account referred to item (iii) of the preceding paragraph, in the column of the account in which the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);

- (ii) an entry or record of the increase in the amount referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution that is the superior institution of the participant, and notify its immediately subordinate institution of the information set forth in items (i) through (iv) of that paragraph, if the book-entry transfer institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If the notice referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply *mutatis mutandis* to the account management institution that has been notified.

(Stripping Bonds)

- Article 93 (1) If an application to strip a strippable book-entry transfer JGB of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (5) through (7) and as indicated pursuant to the provisions of paragraph (4) in the application, enter or record the reduction and increase in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction and increase.
- (2) The application referred to in the preceding paragraph is an application that the participant files with their immediately superior institution for the strippable book-entry transfer JGB (other than one that has been seized) that has been entered or recorded in the holdings column of their account (excluding a customer account) .
  - (3) The application referred to paragraph (1) may be filed only by a person that satisfies the requirements specified by the Minister of Finance.
  - (4) A participant filing an application referred to in paragraph (1) (hereinafter referred to as an "applicant" in this Article) must indicate in that application the issue and the amount of strippable book-entry transfer JGBs for which an entry or record of the reduction is required to be made.
  - (5) If an application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
    - (i) enter or record the reduction in the amount referred to in the preceding

- paragraph for the strippable book-entry transfer JGBs referred to in that paragraph, enter or record the increase equal to the amount of the book-entry transfer JGBs that constitute the principal portion of those strippable book-entry transfer JGBs, and enter or record the increase equal to each of the amount of interest of strippable book-entry transfer JGB related to the book-entry transfer JGBs that constitute the interest portion of those strippable book-entry transfer JGBs, in the applicant's account;
- (ii) give notice to the immediately superior institution of the issue and the amounts for which the book-entry transfer institution or account management institution has entered or recorded the reduction and increase referred to in the preceding item, if the book-entry transfer institution or account management institution is an account management institution.
- (6) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) enter or record the reduction equal to the amount referred to in paragraph (4), for strippable book-entry transfer JGBs referred to in paragraph (4), enter or record the increase equal to the amount of the book-entry transfer JGBs that constitute the principal portion of those strippable book-entry transfer JGBs, and enter or record the increase equal to each of the amount of interest of strippable book-entry transfer JGB related to the book-entry transfer JGBs that constitute the interest portion of those strippable book-entry transfer JGBs, in the customer account under the account of the account management institution that has given the notice;
  - (ii) give a notice to the immediately superior institution on the information for which the book-entry transfer institution or account management institution has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (7) The provisions of the preceding paragraph apply mutatis mutandis to the book-entry transfer institution or account management institution that received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

(Procedures for Reconstituting Principal and Interest)

Article 94 (1) If an application to reconstitute a principal-only book-entry transfer JGB and an interest-only book-entry transfer JGBs of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (5) through (7) and as indicated pursuant to the provisions of paragraph (4) in the application,



enter or record the reduction and increase in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction and increase.

- (2) The application referred to in the preceding paragraph is an application that the participant files with their immediately superior institution for the principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs (other than one that has been seized) entered or recorded in the holdings column of their account (excluding a customer account).
- (3) The application referred to in paragraph (1) may be made only by a person that satisfies the requirements prescribed in paragraph (3) of the preceding Article.
- (4) A participant filing the application referred to in paragraph (1) (hereinafter referred to as an "applicant" in this Article) must indicate in that application the issue and the amounts of the principal-only book-entry transfer JGBs and each of the interest-only book-entry transfer JGBs for which an entry or record of the reduction is required to be made. In such a case, the interest payment dates and the amount of each interest-only book-entry transfer JGBs related to the application must be the same as the interest payment dates and amounts of each of the interest portions of a strippable book-entry transfer JGB with the same name and code as the strippable book-entry transfer JGB, and that have the same amount as the principal-only book-entry transfer JGB related to the application.
- (5) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
  - (i) enter or record in the applicant's account the reductions in the amounts referred to in the first sentence of that paragraph for the principal-only book-entry transfer JGBs and each of the interest-only book-entry transfer JGBs referred to in the first sentence of the preceding paragraph, and enter or record in the applicant's account the increase equal to the amount of the reduction in the principal-only book-entry transfer JGB, for a strippable book-entry transfer JGB with the same name and code as the principal-only book-entry transfer JGB; and
  - (ii) give notice to the immediately superior institution of the issue and the amounts for which it has created entries or records of the reductions and increase referred to in the preceding item, if the book-entry transfer institution or account management institution is an account management institution.
- (6) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:

- (i) enter or record in the customer account under the account of the account management institution that has given the notice, the reductions in the amounts referred to in the first sentence of paragraph (4), for the principal-only book-entry transfer JGBs and each of the interest-only book-entry transfer JGBs referred to in the first sentence of that paragraph, and enter or record in the customer account under the account of the account management institution that has given the notice, the increase equal to the amount of the reduction in the principal-only book-entry transfer JGB, for a strippable book-entry transfer JGB with the same name and code as the principal-only book-entry transfer JGB;
  - (ii) give notice to the immediately superior institution of the information for which the book-entry transfer institution or account management institution has been notified pursuant to the provisions of the item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (7) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

(Book Entry Transfer Procedures)

- Article 95 (1) If an application for a book-entry transfer for book-entry transfer JGBs of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (8) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction or increase in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction or increase.
- (2) The application referred to in the preceding paragraph is an application that the participant files with its immediately superior institution for whom the reduction is entered or recorded in their account (excluding a customer account) by the book-entry transfer.
- (3) A participant filing the application referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in the application:
- (i) the issue and the amount of book-entry transfer JGBs for which the reduction and increase are required to be entered or recorded when the book-entry transfer is made;
  - (ii) whether the reduction will be entered or recorded in the holdings column of the applicant's account or in the column of the applicant's account in which

- the information set forth in Article 91, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
- (iii) the account in which the increase is required to be entered or recorded (excluding a customer account; hereinafter referred to as the "transferee account" in this Article); and
- (iv) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (excluding an institution-held account).
- (4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
- (i) make an entry or record of the reduction in the amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book-entry transfer" in this Article), in the holdings column or the pledge column of the participant's account indicated pursuant to the provisions of item (ii) of the preceding paragraph;
- (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of item (i), item (iii), and item (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
- (iii) make an entry or record of the increase in the amount subject to book-entry transfer, in the holdings column or the pledge column of the transferee account (hereinafter referred to as the "transferee column" in this Article) indicated pursuant to the provisions of item (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account; and
- (iv) make an entry or record of the increase equal in the amount subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and give notice to the immediately subordinate institution of the information indicated pursuant to the provisions of item (i), item (iii), and item (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:

- (i) enter or record the reduction in the amount subject to book-entry transfer in the customer account under the account of the account management institution that has given the notice;
  - (ii) give notice to the immediately superior institution of the information that the book-entry transfer institution or account management institution has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) enter or record the increase in the amount subject to book-entry transfer in the transferee column of the transferee account, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account; and
  - (iv) enter or record the increase in the amount subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and give notice to the immediately subordinate institution of the information that has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has been given the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (7) If the notice referred to in paragraph (4), item (iv) or paragraph (5), item (iv) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) has been given, the account management institution that has been notified must immediately take the following measures:
- (i) enter or record the increase in the amount subject to book-entry transfer in the transferee column of the transferee account, if the account management institution is the one that opened the transferee account; and
  - (ii) enter or record the increase in the amount subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the account management institution that is the superior institution of the participant with that transferee account, and give notice to

the immediately subordinate institution of the information that has been notified pursuant to the provisions of paragraph (4), item (iv) or paragraph (5), item (iv), if the account management institution is not the one that opened the transferee account.

- (8) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has been notified.

(Making Deletions)

Article 96 (1) If an application for the deletion of a book-entry transfer JGB of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.

- (2) The application referred to in the preceding paragraph is an application that the participant for whom the reduction resulting from the deletion will be entered or recorded in their account (excluding a customer account) files with their immediately superior institution.

(3) A participant filing the application referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:

- (i) the issue and the amount of book-entry transfer JGBs for which the reduction is required to be entered or recorded when the deletion is made;
- (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account.

(4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:

- (i) enter or record the reduction in the amount referred to in item (i) of the preceding paragraph, in the holdings column or the pledge column of the applicant's account indicated pursuant to the provisions of item (ii) of the preceding paragraph; and
- (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.

(5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:

- (i) enter or record the reduction in the amount referred to in paragraph (3), item (i) in the customer account under the account of the account management institution that has given the notice;
  - (ii) give notice to the immediately superior institution of the information which the book-entry transfer institution or account management institution has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (7) The national government may demand that, in exchange for the government redeeming book-entry transfer JGBs (or paying interest, if the bonds are interest-only book-entry transfer JGBs), the holder of book-entry transfer JGBs or pledgee file an application with its immediately superior institution to enter a deletion for the book-entry transfer JGBs of that issue which appear on its account by deleting the same amount from the account as the amount of the book-entry transfer JGBs that are being redeemed.

(Procedures for Changing Entries or Records)

Article 97 If a book-entry transfer institution or account management institution learns that there has been a change to the information set forth in one of the items of Article 91, paragraph (3), paragraph (4), or paragraph (5) in the book-entry transfer account register that it keeps, it must immediately enter or record the change in the book-entry transfer account register.

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

(Transfer of Book-Entry Transfer JGBs)

Article 98 A transfer of book-entry transfer JGBs (other than a claim for interest that has become due without being seized (excluding an interest-only book-entry transfer JGB); the same applies in the following Article through Article 102) does not take effect unless the transferee has had an entry or record made in the holdings column of its account (or in the column in which the information set forth in Article 91, paragraph (5), item (ii) is entered or recorded, for the institution-held account), based on an application for book-entry transfer, of the increase in the amount of the book-entry transfer JGBs subject to the transfer.

(Pledge of Book-Entry Transfer JGBs)

Article 99 A pledge of book-entry transfer JGBs does not take effect unless the pledgee has an entry or record made in the pledge column of its account, based on an application for book-entry transfer, of the increase in the amount of the book-entry transfer JGBs subject to the pledge.

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

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

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

(Presumed Rights of Participants)

Article 101 A participant is presumed to be the lawful holder of the rights under a book-entry transfer JGB that has been entered or recorded in their account (limited to their own account, if the account is that of an account management institution).

(Acquisition in Good Faith)

Article 102 A participant (including a book-entry transfer institution with an institution-held account) that has had an entry or record made in their account (limited to their own account if the account is that of an account management institution), based on an application for book-entry transfer, of the increase in book-entry transfer JGBs of a particular issue, acquires the rights associated with the entry or record of the increase in the book-entry transfer JGBs of that issue; provided, however that this does not apply if the participant has acted in bad faith or with gross negligence.

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

Article 103 (1) If the total amount of the book-entry transfer JGBs of a particular issue that all bondholders hold based on acquisitions of book-entry transfer JGBs under the provisions of the preceding Article (other than strippable book-entry transfer JGBs, principal-only book-entry transfer JGBs, and interest-only book-entry transfer JGBs; hereinafter the same applies in this Article through Article 106) comes to exceed the total issued amount of

book-entry transfer JGBs of that issue (other than any amount that has been redeemed), and the aggregate amount referred to in item (i) exceeds the total issued amount referred to in item (ii), the book-entry transfer institution assumes the obligation to acquire book-entry transfer JGBs in that issue until its holdings reach the amount of the overage (meaning the amount obtained by deducting the total issued amount referred to in item (ii) from the aggregate amount referred to in item (i)):

- (i) the aggregate amount of book-entry transfer JGBs of that issue which have been entered or recorded in the accounts of the participants of the book-entry transfer institution, in the book-entry transfer account register kept by the book-entry transfer institution;
  - (ii) the total issued amount (other than any amount that has been redeemed) of book-entry transfer JGBs of that issue.
- (2) If there is any amount prescribed in item (i) of the preceding paragraph for which an entry or record of the increase or reduction has been made in the account prescribed in that item, and the rights associated with the entry or record have not arisen, have not been transferred, or have not been extinguished, and it is proved that no one has acquired book-entry transfer JGBs pursuant to the provisions of the preceding Article in the amount for which the entry or record has been made, that amount is treated as if no entry or record was made.
- (3) When a book-entry transfer institution acquires book-entry transfer JGBs pursuant to the provisions of paragraph (1), the institution has the duty to immediately manifest its intention to release the government from all obligations related to those book-entry transfer JGBs to the national government.
- (4) The rights under the book-entry transfer JGBs prescribed in the preceding paragraph are extinguished if an intention to release the obligations is manifested pursuant to that paragraph.
- (5) When a book-entry transfer institution manifests its intention to release the obligations pursuant to the provisions of paragraph (3) with respect to book-entry transfer JGBs, the institution must immediately make deletions for those book-entry transfer JGBs in the book-entry transfer account register.

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

Article 104 (1) In the case prescribed in paragraph (1) of the preceding Article, if there is an account management institution for which the total amount referred to in item (i) comes to exceed the amount referred to in item (ii), the account management institution assumes the duty to manifest its intention to release the government from all obligations related to book-entry transfer



JGBs of that issue in an amount equal to the overage (meaning the amount obtained by deducting the amount referred to in item (ii) from the total amount referred to in item (i)) to the national government:

- (i) the total amount of book-entry transfer JGBs of that issue entered or recorded in the accounts of the participants of the account management institution, in the book-entry transfer account register kept by that account management institution;
  - (ii) the amount of book-entry transfer JGBs of that issue which have been entered or recorded in the customer account under the account of the account management institution, in the book-entry transfer account register kept by its immediately superior institution.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the following particulars:
- (i) the amount prescribed in item (i) of the preceding paragraph;
  - (ii) the amount set forth in item (ii) of the preceding paragraph, if an entry or record of the increase or reduction has been made in a customer account prescribed in that item and the rights associated with the entry or record have not arisen, have not been transferred, or have not been extinguished.
- (3) In the case referred to in paragraph (1), if the account management institution does not hold book-entry transfer JGBs of the issue prescribed in that paragraph in an amount equal to the amount of overage prescribed in that paragraph, the institution assumes the duty to acquire book-entry transfer JGBs in that issue until its holdings reach the amount of the overage, before manifesting the intention to release the obligations as under the provisions of that paragraph.
- (4) When an account management institution manifests its intention to release the obligations pursuant to the provisions of paragraph (1), the institution must immediately notify its immediately superior institution of the following information:
- (i) the fact that it has manifested the intention to release the obligations; and
  - (ii) the issue and the amount of book-entry transfer JGBs with respect to which it has manifested the intention to release the obligations.
- (5) When the immediately superior institution referred to in the preceding paragraph receives the notice referred to in that paragraph, it must immediately make the following entries or records regarding book-entry transfer JGBs of the issue set forth in item (ii) of that paragraph, in the book-entry transfer account register that it keeps:
- (i) an entry or record of the reduction in the amount set forth in item (ii) of the preceding paragraph in the institution's own account under the account of the account management institution referred to in that paragraph; and
  - (ii) an entry or record of the increase in the amount set forth in item (ii) of the

preceding paragraph in the customer account under the account referred to in the preceding item.

(Handling in the Event of Non-Performance of Obligations Concerning Entries or Records of Overages by Book-Entry Transfer Institutions)

Article 105 (1) In the case prescribed in Article 103, paragraph (1), until the book-entry transfer institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the national government does not have the duty to redeem the principal or pay interest on the part of the book-entry transfer JGBs of the issue that each bondholder holds which corresponds to the amount obtained when the percentage of the amount referred to in item (i) in the total amount referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the performance of obligation the obligation referred to in paragraph (3) of that Article has been partially performed) (hereinafter referred to as the "maximum amount ascribable to the book-entry transfer institution" in this Article):

- (i) the amount of book-entry transfer JGBs of that issue that the bondholder holds (or, if the book-entry transfer institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount of book-entry transfer JGBs of that issue that the bondholder holds which has deducted the maximum amount ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article for the subordinate institution in respect of that bondholder (limited to the holder of a book-entry transfer JGB that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
- (ii) the total amount of book-entry transfer JGBs of that issue that all bondholders hold (or, if the book-entry transfer institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount obtained by deducting the total of the maximum amounts ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article for the subordinate institution in respect of all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution).

(2) In the case prescribed in Article 103, paragraph (1), the book-entry transfer institution prescribed in that paragraph assumes the following duties toward each bondholder:

- (i) in the case referred to in the preceding paragraph, the duty to redeem the principal and pay interest in lieu of the national government on the part of the book-entry transfer JGBs of that issue that each bondholder holds, up to the maximum amount ascribable to the book-entry transfer institution;
- (ii) beyond what is set forth in the preceding item, the duty to indemnify the bondholder for any damage caused by non-performance of obligations referred to in Article 103, paragraph (1) or (3).

(Handling in the Event of Non-Performance of Obligations by Account

Management Institutions Concerning Entries or Records of Overages)

Article 106 (1) In the case prescribed in Article 104, paragraph (1), until the account management institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the national government does not have a duty to redeem the principal or pay interest on the part of the book-entry transfer JGBs of the issue that a bondholder (limited to the holder of a book-entry transfer JGB that has been entered or recorded in an account opened by that account management institution or by its subordinate institution) holds which corresponds to the amount obtained by deducting the percentage of the amount referred to in item (i) in the total amount referred to in item (ii) multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the performance if the obligation referred to in that paragraph has been partially performed) (hereinafter referred to as the "maximum amount ascribable to the account management institution" in this Article):

- (i) the amount of book-entry transfer JGBs of that issue that the bondholder holds (or, if the account management institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer JGBs of that issue pursuant to the provisions of Article 104, paragraph (1), the amount obtained by deducting the maximum amount ascribable to the account management institution for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder for the subordinate institution (limited to the holder of a book-entry transfer JGB that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
- (ii) the total amount of book-entry transfer JGBs of that issue held by all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by that account management institution or by its

subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer JGBs of that issue pursuant to the provisions of Article 104, paragraph (1), the amount obtained by deducting the total of the maximum amounts ascribable to the account management institution for all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the overage prescribed in paragraph (1) of the preceding Article).

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

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

Article 107 (1) If, as a result of the acquisition of strippable book-entry transfer JGBs, principal-only book-entry transfer JGBs, or interest-only book-entry transfer JGBs under the provisions of Article 102 (hereinafter referred to as "strippable and stripped book-entry transfer JGBs" in this Article through Article 110), the total amount per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that all of the holders of strippable and stripped book-entry transfer JGBs are to hold when all of the strippable book-entry transfer JGBs that are held by the holders of strippable and stripped book-entry transfer JGBs are calculated by deeming them to have been stripped pursuant to the provisions of Article 93, there is a total amount of the issuance (other than any amount that has been redeemed) which exceeds the total amount per issue of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs when all of the strippable book-entry transfer JGBs are calculated by deeming them to have been stripped pursuant to the provisions of that paragraph, and there are principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs of the issue for which the total amount referred to in item (i) exceeds the total amount referred to in

item (ii), the book-entry transfer institution assumes the duty to acquire the principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in that issue until its holdings reach the amount of the overage (meaning the amount obtained by deducting the total amount referred to in item (ii) from the total amount referred to in item (i)):

- (i) the total amount per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that are to be entered or recorded in the accounts of the participants of the book-entry transfer institution in the book-entry transfer account register kept by that book-entry transfer institution, if all of the strippable book-entry transfer JGBs that have been entered or recorded in the accounts of the participants of the book-entry transfer institution, in the book-entry transfer account register kept by that book-entry transfer institution, are calculated by deeming that they have been stripped pursuant to the provisions of Article 93;
  - (ii) the total amount per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs if all of the strippable book-entry transfer JGBs issued are calculated by deeming them to have been stripped pursuant to the provisions of Article 93 for the total amount of the issuance (other than any amount that has been redeemed).
- (2) If there is any amount prescribed in item (i) of the preceding paragraph for which an entry or record of the increase or reduction has been made in the account prescribed in that item, and for which the rights associated with that entry or record have not arisen, have not been transferred, or have not extinguished, and it is proved that no one has acquired strippable or stripped book-entry transfer JGBs pursuant to the provisions of the preceding Article in the amount for which the entry or record has been made, that amount is treated as if no entry or record was made.
  - (3) In applying the provisions of paragraph (1), strippable and stripped book-entry transfer JGBs that have been acquired pursuant to the provisions of Article 102 and that are handled by book-entry transfer institutions that have obtained the consent referred to in Article 13, paragraph (1) are to be calculated for each book-entry transfer institution handling them.
  - (4) When a book-entry transfer institution acquires principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs pursuant to the provisions of paragraph (1), the book-entry transfer institution assumes the duty to immediately manifest the intention to release the government from all obligations related to those principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs to the national government.
  - (5) The rights under the principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs prescribed in the preceding paragraph are extinguished when an intention to release the obligations is manifested

pursuant to that paragraph.

- (6) When a book-entry transfer institution manifests the intention to release the obligations pursuant to the provisions of paragraph (4) with respect to principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs, the institution must immediately make deletions for those principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in the book-entry transfer account register.

(Obligations of Account Management Institution Concerning Strippable and Stripped Book-Entry Transfer JGBs If There Are Entries or Records of Overages)

Article 108 (1) In the case prescribed in paragraph (1) of the preceding Article, if there is an account management institution with principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in an issue for which the total amount referred to in item (i) that comes to exceed the total amount referred to in item (ii), the account management institution assumes the duty to manifest the intention to release the government from all obligations related to principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs of that issue in an amount equal to the overage (meaning the amount obtained by deducting the total amount referred to in item (i) from the total amount referred to in item (ii)) to the national government:

- (i) the total amount per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that are to be entered or recorded in the accounts of the participants of the account management institution, in the book-entry transfer account register kept by that account management institution, if all of the strippable book-entry transfer JGBs that have been entered or recorded in the accounts of the participants of that account management institution, in the book-entry transfer account register kept by that account management institution are calculated by deeming that they have been stripped pursuant to the provisions of Article 93;
- (ii) the total amount per issue of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that are to be entered or recorded in the customer account under the account of the account management institution in the book-entry transfer account register kept by its immediately superior institution, if all of the strippable book-entry transfer JGBs entered or recorded in the customer account subdivision under the account of that account management institution in the book-entry transfer account register kept by the immediately superior institution of that account management institution, are to be calculated by deeming them to have been stripped pursuant to the provisions of Article 93.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis

mutandis to the following particulars:

- (i) the amount prescribed in item (i) of the preceding paragraph; and
  - (ii) the amount set forth in item (ii) of the preceding paragraph, if an entry or record of the increase or reduction has been made in a customer account prescribed in that item and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished.
- (3) In the case referred to in paragraph (1), if the account management institution does not hold principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, the account management institution has the duty to acquire principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in that issue until its holdings reach the amount of the overage, before manifesting the intention to release the obligations under the provisions of that paragraph.
- (4) When an account management institution manifests the intention to release the obligations pursuant to the provisions of paragraph (1), the account management institution must immediately notify its immediately superior institution of the following particulars:
- (i) the fact that it has manifested the intention to release the obligations;
  - (ii) the issue and the amount of principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs for which it has manifested the intention to release the obligations.
- (5) When the immediately superior institution referred to in that paragraph receives the notice referred to in that paragraph, it must immediately make the following entries or records regarding principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs of the issue set forth in item (ii) of that paragraph in the book-entry transfer account register that it keeps:
- (i) an entry or record of the reduction in the amount set forth in item (ii) of the preceding paragraph in the account management institution's own account under the account of the account management institution referred to in that paragraph;
  - (ii) an entry or record of the increase in the amount set forth in item (ii) of the preceding paragraph in the customer account under the account referred to in that item.

(Handling in the Case of Non-Performance of Obligations by Book-Entry Transfer Institution Concerning Entries or Records of Overages for Strippable and Stripped Book-Entry Transfer JGBs)

Article 109 (1) If a book-entry transfer institution prescribed in Article 107, paragraph (1) assumes the obligations referred to in that paragraph and paragraph (4) of that Article regarding principal-only book-entry transfer JGBs

in the case prescribed in paragraph (1) of that Article, the national government does not assume the duty to redeem the principal on the part of the principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that each bondholder holds which corresponds to the amount obtained when the percentage of the amount referred to in item (i) in the total amount referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the performance of obligation if the obligation referred to in paragraph (4) of that Article has been partially performed) (hereinafter referred to as the "maximum amount of principal ascribable to the book-entry transfer institution" in this Article) until the book-entry transfer institution fully performs those obligations:

- (i) the amount of principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that the bondholder holds (or, if the book-entry transfer institution has a subordinate institution that is required to manifest an intention to the release of obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount obtained by deducting the maximum amount of principal ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in that paragraph for the subordinate institution in respect of that bondholder (limited to the holder of a book-entry transfer JGB that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
  - (ii) the total amount of principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that all of the bondholders hold (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to release the obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount obtained by deducting the total of the maximum amounts of principal ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article for the subordinate institution in respect of all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution).
- (2) If a book-entry transfer institution prescribed in Article 107, paragraph (1)



assumes the obligations referred to in that paragraph and paragraph (4) of that Article regarding interest-only book-entry transfer JGBs in the case prescribed in paragraph (1) of that Article, the national government does not assume the duty to pay the part of the interest on the interest-only book-entry transfer JGBs of that issue that each bondholder holds (but only those handled by the book-entry transfer institution; hereinafter the same applies in this Article and the following Article), or on all strippable book-entry transfer JGBs (but only those handled by the book-entry transfer institution; hereinafter the same applies in this Article and the following Article) with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that each bondholder holds, which corresponds to the amount obtained when the percentage of the total amount referred to in item (i) in the total amount referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the performance of the obligation if the obligation referred to in paragraph (4) of that Article has been partially performed) (hereinafter referred to as the "maximum amount of interest ascribable to the book-entry transfer institution" in this Article), until the book-entry transfer institution fully performs the obligations referred to in that paragraph and paragraph (4) of that Article:

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

amount obtained by deducting the total of the maximum amounts of interest ascribable to the account management institution prescribed in paragraph (2) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article for the subordinate institution in respect of all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution).

- (3) In the case prescribed in Article 107, paragraph (1), the book-entry transfer institution prescribed in that paragraph assumes the following duties toward each bondholder:
- (i) in the case referred to in paragraph (1), the duty to redeem the principal in lieu of the national government, on the part of the principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs of the same name and code as the principal-only book-entry transfer JGB of that issue which each bondholder holds, up to the maximum amount of principal ascribable to the book-entry transfer institution;
  - (ii) in the case referred to in the preceding paragraph, the duty to pay interest in lieu of the national government, on the part of the interest on all interest-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the interest-only book-entry transfer JGBs of that issue which each bondholder holds, which corresponds to the maximum amount of interest ascribable to the book-entry transfer institution; and
  - (iii) beyond what is set forth in the preceding two items, the duty to indemnify the bondholder for any damage caused by non-performance of obligations referred to in Article 107, paragraph (1) or (4).

(Handling in the Case of Non-Performance of Obligations by Account Management Institutions Concerning Entries or Records of Overages for Strippable and Stripped Book-Entry Transfer JGBs)

Article 110 (1) If an account management institution prescribed in Article 108, paragraph (1) assumes the obligations referred to in that paragraph and paragraph (3) of that Article regarding principal-only book-entry transfer JGBs in the case prescribed in paragraph (1) of that Article, the national government does not assume the duty to redeem the principal on the part of the principal-only book-entry transfer JGBs of that issue that a holder holds (limited to the holder of a book-entry transfer JGB entered or recorded in the account opened by the account management institution or by its subordinate institution), or on the part of the strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that the holder holds, which corresponds to the amount obtained when the percentage

of the amount referred to in item (i) in the total amount referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the performance of the obligation if the obligation referred to in that paragraph has been partially performed) (hereinafter referred to as the "maximum amount of principal ascribable to the account management institution" in this Article), until the account management institution fully performs those obligations:

- (i) the amount of principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that the bondholder holds (or, if the account management institution has a subordinate institution that is required to manifest the intention to release the obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of Article 108, paragraph (1), the amount obtained by deducting the maximum amount of principal ascribable to the account management institution, for the overage prescribed in that paragraph for the subordinate institution in respect of that bondholder (limited to the holder of a book-entry transfer JGB that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
  - (ii) the total amount of principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue held by all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by the account management institution or by its subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest the intention to release the obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of Article 108, paragraph (1), the amount obtained by deducting the total of the maximum amounts of principal ascribable to the account management institution, for the overage prescribed in of the preceding Article in respect of all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution).
- (2) If an account management institution prescribed in Article 108, paragraph (1) assumes the duty referred to in that paragraph and paragraph (3) of that Article regarding interest-only book-entry transfer JGBs in the case prescribed in paragraph (1) of that Article, the national government does not assume the duty to pay the part of the interest on the interest-only book-entry transfer JGBs of that issue that a holder holds (but only by the holder of a book-entry

transfer JGB entered or recorded in the account opened by the account management institution or by its subordinate institution), or the part of the interest on all strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that the holder holds, which corresponds to the amount obtained when the percentage of the total amount referred to in item (i) in the total amount referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount obtained by deducting the amount related to the performance of the obligation if the performance referred to in that paragraph has been partially performed) (hereinafter referred to as the "maximum amount of interest ascribable to the account management institution" in this Article), until the account management institution fully performs those obligations:

- (i) the total amount of interest on interest-only book-entry transfer JGBs of that issue and all strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that the bondholder holds (or, if the account management institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to interest-only book-entry transfer JGBs of that issue pursuant to the provisions of Article 108, paragraph (1), the amount obtained by deducting the maximum amount of interest ascribable to the account management institution, for the overage prescribed in that paragraph for the subordinate institution in respect of that bondholder (limited to the holder of a book-entry transfer JGB that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
- (ii) the total amount of interest on interest-only book-entry transfer JGBs of that issue and all strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue held by all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by the account management institution or by its subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest an intention to release the obligations with respect to book-entry transfer JGBs of that issue pursuant to the provisions of Article 108, paragraph (1), that total amount obtained by deducting the total of the maximum amounts of interest ascribable to the account management institution, for the overage prescribed in that paragraph for the subordinate institution in respect of all of the holders of book-entry transfer JGBs that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution).

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

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

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

prescribed in the preceding paragraph.

**Section 4 Miscellaneous Provisions**

Article 112 A person making an offer to subscribe for book-entry transfer JGBs must indicate to the national government the account opened for that person in which book entries are to be made for the book-entry transfer JGBs, at the time of the offer.

**Chapter VI Book-Entry Transfer of Local Government Bonds**

**Section 1 Book-Entry Transfer of Local Government Bonds**

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

Article 113 The provisions of Chapter IV (excluding the provisions of Article 66, item (i), Article 69, paragraph (1), items (v) and (vi), paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 70-3, and Section 4) apply mutatis mutandis to local government bonds. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

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

Article 69, paragraph (1), item (iv)	for each participant (other than those set forth in the following item)	for each participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph ( limited to one that is a bondholder referred to in that item)	of that paragraph
Article 69, paragraph (2), item (ii)	sum of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee), or a trust company under the trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act	person entrusted with a public offering or the management of local government bonds prescribed in Article 705, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 5-6 of the Local Government Finance Act following the deemed replacement of terms
	bond administrator or similar person	person entrusted with the public offering or similar duty
Article 71, paragraph (8)	bond administrator or similar person	person entrusted with the public offering or similar duty
Article 80, paragraph (1), and Article 81, paragraph (1)	this Article and Article 85	this Article

(Clear Indication of the Application of This Act)

- Article 114 (1) The issuer of local government bonds handled by a book-entry transfer institution must clearly indicate to a person making an offer to subscribe for those bonds that this Act applies to those bonds; provided, however, that this does not apply to a person subscribing for the full amount of those local government bonds based on a contract.
- (2) A person making an offer to subscribe for local government bonds handled by a book-entry transfer institution must indicate to the issuer the account opened for that person in which book entries are to be made for the local government bonds, at the time of the offer.

**Section 2 Book-Entry Transfer of Investment Corporation Bonds**

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

Article 115 The provisions of Chapter IV (excluding the provisions of Article 66, item (i), sub-items (a) through (d), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 70-3, Article 83, Article 84, paragraph (4), and Articles 86-2 through 86-4) apply mutatis mutandis to investment corporation bonds (meaning investment corporation bonds as defined in Article 2, paragraph (19) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter). In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 66, item (i)	a corporate bond that satisfies all of the following requirements (hereinafter referred to as a "short-term corporate bond" in this Chapter):	a short-term investment corporation bonds prescribed in Article 139-12, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 67, paragraph (1)	Corporate bond certificates	Investment corporation bond certificates (meaning investment corporation bond certificates as defined in Article 2, paragraph (20) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter)



Article 67, paragraphs (2) and (3)	corporate bond certificate	investment corporation bond certificate
Article 69, paragraph (1), item (ii)	the participants that are the holders or pledgees	the participants that are the holders
Article 69, paragraph (1), item (iv)	for each participant (other than those set forth in the following item);	for each participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (limited to one that is a bondholder referred to in that item),	of that paragraph,
Article 69, paragraph (2), item (ii)	sum of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);

Article 71, paragraph (7)	a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee	the investment corporation bond administrator (meaning an investment corporation bond administrator prescribed in Article 139-8 of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter), assistant investment corporation bond administrator (meaning an assistant investment corporation bond administrator prescribed in Article 139-9-2, paragraph (1) of the Act on Investment Trusts and Investment Corporations and limited to one that is authorized to receive redemption of book-entry transfer investment corporation bonds for an investment corporation bondholder or pledgee; the same applies hereinafter
	bond administrator or similar person	investment corporation bond administrator or similar person
Article 71, paragraph (8)	bond administrator or similar person	investment corporation bond administrator or similar person
Article 84, paragraph (1)	Article 677, paragraph (1) of the Companies Act	Article 139-4, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 84, paragraph (2)	corporate bond register	investment corporation bond register (meaning the investment corporation bond register prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 139-7 of the Act on Investment Trusts and Investment Corporations following the deemed replacement of terms)
Article 84, paragraph (3)	Article 677, paragraph (2) of the Companies Act	Article 139-4, paragraph (2) of the Act on Investment Trusts and Investment Corporations
	Article 679	Article 139-6

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

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

Article 116 In applying the provisions of Article 196, paragraphs (1) and (2), Article 197, and Article 219 of the Act on Investment Trusts and Investment Corporations to investment corporation bonds handled by a book-entry transfer institution (hereinafter referred to as "book-entry transfer investment corporation bonds"), a book-entry transfer investment corporation bond is deemed to be an investment corporation bond certificate prescribed in that Act among the investment securities, etc. prescribed in that Act.

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

Article 116-2 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) through (3), Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) through (3) of the Companies Act as applied mutatis mutandis pursuant to Article 139-7 of the Act on Investment Trusts and Investment Corporations do not apply to book-entry transfer investment corporation bonds.

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

(Application Mutatis Mutandis of Provisions on Corporate Bonds to Bonds

Issued by Mutual Companies)

Article 117 The provisions of Chapter IV (excluding the provisions of Article 66, item (i), sub-items (a) through (d), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 70-3, Article 83, Article 84, paragraph (4), and Articles 86-2 through 86-4) apply mutatis mutandis to a corporate bond issued by a mutual company (meaning a corporate bond prescribed in Article 61 of the Insurance Business Act; the same applies hereinafter). In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

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

Article 70, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee	a corporate bond administrator (meaning a corporate bond administrator prescribed in Article 61-6 of the Insurance Business Act; the same applies hereinafter), assistant bond administrator (meaning an assistant bond administrator prescribed in Article 61-7-2 of the Insurance Business Act and limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee; the same applies hereinafter
Article 84, paragraph (1)	Article 677, paragraph (1) of the Companies Act	Article 61-2, paragraph (1) of the Insurance Business Act
Article 84, paragraph (2)	corporate bond register	corporate bond register (meaning a corporate bond register prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Insurance Business Act)
Article 84, paragraph (3)	Article 677, paragraph (2) of the Companies Act	Article 61-2, paragraph (2) of the Insurance Business Act
	Article 679	Article 61-4
Article 85, paragraph (1)	bondholders meeting	bondholders meeting (meaning a bondholders meeting prescribed in Article 61-8, paragraph (1) of the Insurance Business Act; the same applies hereinafter)

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

Article 117-2 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) through (3), Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694,

paragraph (1), and Article 695-2, paragraphs (1) through (3) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Insurance Business Act do not apply to bonds issued by a mutual company that a book-entry transfer institution handles.

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

(Application Mutatis Mutandis of the Provisions on Corporate Bonds to Specified Corporate Bonds)

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

Article 66, item (i)	a corporate bond that satisfies all of the following requirements (hereinafter referred to as a "short-term corporate bond" in this Chapter):	a specified short-term company bond as defined in Article 2, paragraph (8) of the Act on the Securitization of Assets
Article 67, paragraph (1)	Corporate bond certificates	Specified corporate bond certificates (meaning the specified corporate bond certificates as defined in Article 2, paragraph (9) of the Act on the Securitization of Assets; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	specified corporate bond certificate

Article 69, paragraph (1), item (ii)	the participants that are the holders and pledgees	the participants that are the holders
Article 69, paragraph (1), item (iv)	for each participant (other than those set forth in the following item);	for each participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (limited to one that is a bondholder referred to in that item),	of that paragraph
Article 69, paragraph (2), item (ii)	sum of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee	a specified corporate bond administrator (meaning a specified corporate bond administrator prescribed in Article 126 of the Act on the Securitization of Assets; the same applies hereinafter), assistant specified corporate bond administrator (meaning an assistant specified corporate bond administrator prescribed in Article 127-2, paragraph (1) of the Act on the Securitization of Assets and limited to one that is authorized to receive redemption of book-entry transfer specified corporate bonds for a specified corporate bondholder or pledgee; the same applies hereinafter
	bond administrator or similar person	specified corporate bond administrator or similar person
Article 71, paragraph (8)	bond administrator or similar person	specified corporate bond administrator or similar person

Article 84, paragraph (1)	Article 677, paragraph (1) of the Companies Act	Article 122, paragraph (1) of the Act on the Securitization of Assets
Article 84, paragraph (2)	corporate bond register	specified corporate bond register (meaning the specified corporate bond register prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on the Securitization of Assets following the deemed replacement of terms; the same applies hereinafter)
Article 84, paragraph (3)	Article 677, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on the Securitization of Assets
	Article 679	Article 124
Article 85, paragraph (1)	bondholders meeting	meeting of specified company bondholders (meaning a meeting of specified corporate bondholders prescribed in Article 129, paragraph (1) of the Act on the Securitization of Assets; the same applies hereinafter)
Article 86, paragraph (1)	bondholders meeting	meeting of specified corporate bondholders
Article 86, paragraph (1), item (i)	bond administrator	specified corporate bond administrator
Article 86, paragraph (1), item (ii)	assistant bond administrator	assistant specified bond administrator
Article 86, paragraph (2)	bondholders meeting	meeting of specified corporate bondholders

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

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

### Section 5 Book-Entry Transfer of Special Corporation Bonds



Article 120 The provisions of Chapter IV (excluding the provisions of Article 66, item (i), sub-items (a) through (d), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 70-3, and Section 4) and Article 114 apply mutatis mutandis to special corporation bonds (meaning the rights required to be indicated on bond certificates issued by a corporation pursuant to a special law). In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 66, item (i)	a corporate bond that satisfies all of the following requirements (hereinafter referred to as a "short-term corporate bond" in this Chapter):	rights required to be indicated on the short-term bonds prescribed in Article 54-4, paragraph (1) of the Shinkin Bank Act (Act No. 238 of 1951) or the short-term Norinchukin Bank bonds prescribed in Article 62-2, paragraph (1) of the Norinchukin Bank Act (Act No. 93 of 2001)
Article 67	corporate bond certificate	bond certificate
Article 68, paragraph (3), item (ii)	trade name	name
Article 69, paragraph (1), item (ii)	the participants that are the holders and pledgees	the participants that are the holders
Article 69, paragraph (1), item (iv)	for each participant (other than those set forth in the following item);	for each participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (limited to one that is a bondholder referred to in that item),	of that paragraph
Article 69, paragraph (2), item (ii)	sum of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)

Article 70, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee), or a trust company under a trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act	the person entrusted with managing the rights that are required to be indicated on bond certificates issued by the corporation pursuant to a special law
	bond administrator or similar person	special corporation bond administrator
Article 71, paragraph (8)	bond administrator or similar person	special corporation bond administrator
Article 80, paragraph (1) and Article 81, paragraph (1)	this Article and Article 85	this Article

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

(Application Mutatis Mutandis of Provisions on Bonds and Other Securities to Beneficial Interest in an Investment Trust)

Article 121 The provisions of Chapter IV (excluding the provisions of Article 66, item (i) Article 71, paragraph (8) and Section 4 (excluding Article 84, paragraph (2), Article 85, paragraph (1), and Article 86-2, paragraph (1))), Article 114, paragraph (2), and Article 155, paragraph (8) apply mutatis mutandis to a beneficial interest in an investment trust (meaning a beneficial interest as defined in Article 2, paragraph (7) of the Act on Investment Trusts and Investment Corporations, and including a beneficial interest under the trust agreement of a foreign investment trust; the same applies hereinafter). In

such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 66	interest	distribution of profits
Article 66, item (ii)	decision to issue	the basic terms and conditions for an investment trust (meaning the basic terms and conditions for an investment trust prescribed in Article 4, paragraph (1) or Article 49, paragraph (1) of the Act on Investment Trusts and Investment Corporations)
	issued based on that decision will be subject	will be subject
Article 67, paragraph (1)	Corporate bond certificates	Beneficiary certificates (meaning beneficiary certificates as defined in Article 2, paragraph (7) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	beneficiary certificate
Article 68, paragraph (3), items (iii) through (v), paragraph (4), item (ii), and paragraph (5), item (ii)	amount	number of units
Article 69, paragraph (1)	after the issuance date of those book-entry transfer bonds, without delay	if a trust has been created for
Article 69, paragraph (1), item (i)	that have been issued	that have been placed in trust
Article 69, paragraph (1), item (iv) to item (vi)	the amount of book-entry transfer corporate bonds referred to in item (i) for each participant;	the number of book-entry transfer corporate bonds as referred to in item (i) for each Participant

Article 69, paragraph (1), item (vii)	total amount	total number of units
Article 69, paragraph (2)	the amount	the number of units
	increase in the amount	increase in the number of units
The part of Article 69-2, paragraph (1) other than what is listed in the items of that paragraph	company	trustee (in the case of an investment trust managed under instructions from the settlor as defined in Article 2, paragraph (1) of the Act on Investment Trusts and Investment Corporations, the settlor; the same applies hereinafter)
	the company	the trustee
	consolidation-type merger	merger of trusts
Article 69-2, paragraph (1), item (i)	company	trustee
	give the notice...or file an application for a book-entry transfer	give the notice
Article 69-2, paragraphs (2) to (5)	company	trustee
Article 70, paragraph (1)	the reduction or increase	the reduction or increase in the number of units
Article 70, paragraph (2)	reduction	reduction in the number of units
Article 70, paragraph (3), item (i)	the reduction and increase	the reduction and increase in the number of units
	amount	number of units
Article 70, paragraph (3), item (ii)	reduction	reduction in the number of units
Article 70, paragraph (3), items (iii) and (iv)	increase	increase in the number of units
Article 70, paragraph (4), item (i)	the amount	the number of units
	amount subject to book entry transfer	number of units subject to book entry transfer

	reduction	reduction
Article 70, paragraph (4), items (iii) and (iv)	amount subject to book entry transfer	number of units subject to book entry transfer
	increase	increase
Article 70, paragraph (5), item (i)	amount subject to book entry transfer	number of units subject to book entry transfer
	reduction	reduction
Article 70, paragraph (5), items (iii) and (iv), and paragraph (7)	amount subject to book entry transfer	number of units subject to book entry transfer
	increase	increase
Article 70-2, paragraph (2)	notice...is given or an application for a book-entry transfer	notice
	merger	merger of trusts
	company	trust
	shares	beneficial interest
	shareholder register	beneficial interest register (meaning a beneficial interest register prescribed in Article 186 of the Trust Act as applied mutatis mutandis pursuant to Article 6, paragraph (7) of the Act on Investment Trusts and Investment Corporations following the deemed replacement of terms; the same applies hereinafter)
	giving the notice or filing the application for a book-entry transfer	giving the notice
Article 71, paragraphs (1) and (2)	reduction	reduction in the number of units
Article 71, paragraph (3)	reduction	reduction in the number of units
	amount	number of units

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

	deducting the total issued amount	deducting the total number of issued units
	amount	number of units
Article 78, paragraph (2)	amount	number of units
	increase or reduction	increase or reduction
Article 79, paragraph (1)	aggregate amount	aggregate number of units
	amount	number of units
	amount of the overage	number of units in overage
	deducting the total issued amount	deducting the total number of issued units
	in an amount equal to	in a number equal to
Article 79, paragraph (2)	amount	number of units
	increase or reduction	increase or reduction
Article 79, paragraph (3)	amount of the overage	number of units in overage
	in an amount	in a number of units
Article 79, paragraph (4), item (ii)	amount	number of units
Article 79, paragraph (5), item (i)	reduction in the amount	reduction in the number of units
Article 79, paragraph (5), item (ii)	increase in the amount	increase in the number of units
Article 80, paragraph (1)	amount	number of units
	total amount	total number of units
	amount of the overage	number of units in overage
	the amount relatd to	the number of units related to
	deducting the amount related to the obligation	deducting the number of units
	the amount obtained when	the number of units obtained when
	this Article and Article 85	this Article
	maximum amount ascribable to the book-entry transfer institution	maximum number of units ascribable to the book-entry transfer institution
	redeem the principal or pay interest on	redeem, cancel, or distribute profits for

	maximum amount ascribable to the account management institution	maximum number of units ascribable to the account management institution
	aggregate amount	aggregate number of units
Article 80, paragraph (2), item (i)	maximum amount ascribable to the book-entry transfer institution	maximum number of units ascribable to the book-entry transfer institution
	redeem the principal or pay interest on	redeem, cancel, or distribute profits for
Article 81, paragraph (1)	amount	number of units
	total amount	total number of units
	amount of the overage	number of units in overage
	the amount related to	the number of units related to
	deducting the amount related to the obligation	deducting the number of units
	the amount obtained when	the number of units obtained when
	this Article and Article 85	this Article
	maximum amount ascribable to the account management institution	maximum number of units ascribable to the account management institution
	redeem the principal or pay interest on	redeem, cancel, or distribute profits for
	aggregate amount	aggregate number of units
Article 81, paragraph (2), item (i)	maximum amount ascribable to the account management institution	maximum number of units ascribable to the account management institution
	redeem the principal or pay interest on	redeem, cancel, or distribute profits for
Article 82	amount	number of units
	redeem the principal or pay interest on	redeem, cancel, or distribute profits for
Article 84, paragraph (2)	corporate bond register	beneficial interest register
Article 85, paragraph (1)	Article 723, paragraph (1) of the Companies Act	Article 17, paragraph (6) of the Act on Investment Trusts and Investment Corporations
	the amount of corporate bonds held by them (other than the sum of the maximum amount ascribable to the book-entry transfer institution and maximum amount ascribable to the account management institution)	the number of units held by them (other than the sum of the maximum number of units ascribable to the book-entry transfer institution and maximum number of units ascribable to the account management institution)



	bondholders meeting	resolution referred to in paragraph (1) of that Article
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Article 86-2,  
paragraph  
(1)

a company surviving an absorption-type merger (meaning a company surviving an absorption-type merger prescribed in Article 749, paragraph (1) of the Companies Act; the same applies hereinafter) or the wholly owning parent company resulting from a share exchange as prescribed in Article 767 of that Act (hereinafter collectively referred to as the "surviving company or wholly owning company" in this Chapter and Chapters VII through IX,); or a company incorporated in a consolidation-type merger (meaning a company incorporated in a consolidation-type merger prescribed in Article 753, paragraph (1) of that Act) or the wholly owning parent company incorporated in a share transfer as prescribed in Article 773, paragraph (1), item (i) of that Act (hereinafter collectively referred to as the "incorporated company or wholly owning company" in this Chapter and Chapters VII through IX ) seeks to deliver book-entry transfer corporate bonds at the time of the absorption-type merger or share exchange (hereinafter collectively referred to as an "absorption-type merger or share exchange" in this Chapter and Chapters VII through IX) or at the time of the consolidation-type merger or share transfer (hereinafter collectively referred to as a "consolidation-type merger or share transfer" in this Chapter and Chapters VII through IX)

If a beneficial interest that is required to be extinguished in a merger of trusts is not a book-entry transfer beneficial interest in an investment trust and the trustee seeks to deliver a beneficial interest at the time of the merger,

	the effective date of the absorption-type merger or share exchange or the date of incorporation of the incorporated company or wholly owning company (hereinafter collectively referred to as the "effective date or date of incorporation" in this Chapter and Chapters VII through IX)	the effective date of the merger of trusts
Article 87, paragraph (1)	referred to in Article 69, paragraph (1)	set forth in the following items
	take measures that enable the participants to learn the information set forth in item (vii) of that paragraph, by the means prescribed by Cabinet Order.	take measures that will enable the participants to learn the information set forth in these items, by the means prescribed by Cabinet Order.
		(i) notice referred to in Article 69, paragraph (1): information set forth in item (vii) of that paragraph
		(ii) notice referred to in the first sentence of Article 121-3, paragraph (1): information set forth in item (v) of that paragraph
Article 155, paragraph (8)	Article 192, paragraph (1) of the Companies Act	Article 18, paragraph (1) of the Act on Investment Trusts and Investment Corporations (including as applied mutatis mutandis pursuant to Article 54, paragraph (1) of that Act)

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

Article 121-2 (1) When seeking to merge or split a beneficial interest in an investment trust that is of a particular issue (meaning an issue prescribed in Article 68, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article through Article 121-4) and that a book-entry transfer institution handles (hereinafter referred to as a "book-entry transfer beneficial interest in an investment trust"), the issuer of the book-entry transfer beneficial interest in an investment trust must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by

two weeks prior to the day of merger or split:

- (i) the issue of book-entry transfer beneficial interest in an investment trust subject to the merger or split;
  - (ii) in the case of a merger, the percentage obtained when the percentage of the total number of issued units referred to in sub-item (a) to the total number of issued units referred to in sub-item (b) is deducted from one (hereinafter referred to as the "reduction ratio" in this Article):
    - (a) the total number of issued units of the book-entry transfer beneficial interest in an investment trust after the merger; and
    - (b) the total number of issued units of the book-entry transfer beneficial interest in an investment trust before the merger.
  - (iii) in the case of a split, the percentage of the total number of issued units referred to in sub-item (a) to the total number of units referred to in sub-item (b) (hereinafter referred to as the "increase ratio" in this Article):
    - (a) the total number of units of the book-entry transfer beneficial interest in an investment trust which beneficiaries receive as a result of the split; and
    - (b) the total number of issued units of the book-entry transfer beneficial interest in an investment trust before the split.
  - (iv) the date of the merger or split.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer beneficial interest in an investment trust which has been notified.
- (3) The provisions of the preceding paragraph apply mutatis mutandis to an immediately subordinate institution that received the notice referred to in that paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (4) If the notice referred to in paragraph (1) or (2) (including as applied mutatis mutandis pursuant to the preceding paragraph) has been given, the book-entry transfer institution or account management institution that has been notified must take the following measures on the day of the merger or split:
- (i) in the case of a merger, the following measures (if the book-entry transfer institution or account management institution has a customer account (meaning a customer account prescribed in Article 68, paragraph (2), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article through Article 121-4), limited to the measures set forth in sub-item (a)):
    - (a) make entries or records in the accounts in which entries or records have been made for book-entry transfer beneficial interest in an investment trust referred to in paragraph (1), item (i) in the book-entry transfer

- account register that the book-entry transfer institution or account management institution keeps (excluding a customer account and for accounts other than the institution-held account, meaning the holdings columns (meaning holdings columns prescribed in Article 69, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to the preceding Article; the same applies in Article 121-4, paragraph (3)) or the pledge columns (meaning the pledge columns prescribed in sub-item (b) of that item as applied mutatis mutandis pursuant to the preceding Article; the same applies in Article 121-4, paragraph (3)) of those accounts; hereinafter referred to as the "relevant holdings or pledge column" in this Article and paragraph (4) of the following Article) of the reductions in the number of units obtained when the number of units that has been entered or recorded in the relevant holdings or pledge columns is multiplied by the reduction ratio (if the number of units includes a fraction less than one, it is rounded up); and
- (b) give notice to the immediately superior institution of the number of units for which it has entered or recorded the reductions pursuant to the provisions of sub-item (a);
  - (ii) in the case of a split, the following measures (if the book-entry transfer institution or account management institution has a customer account, limited to the measures set forth in sub-item (a)):
    - (a) make entries or records in the relevant holdings and pledge columns in which entries or records have been made for book-entry transfer beneficial interest in an investment trust referred to in paragraph (1), item (i) in the book-entry transfer account register that the book-entry transfer institution or account management institution keeps, of the increases in the number of units obtained when the number of units that has been entered or recorded in the relevant holdings or pledge columns is multiplied by the increase percentage (if the number of units includes a fraction less than one, it is disregarded); and
    - (b) give notice to the immediately superior institution of the number of units for which it has entered or recorded the increases pursuant to the provisions of sub-item (a).
- (5) If the notice referred to in item (i), sub-item (b) or item (ii), sub-item (b) of the preceding paragraph or in item (i), sub-item (b) or item (ii), sub-item (b) has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) in the case of a merger, the following measures:
    - (a) make an entry or record of the reduction in the number of units of which it has been notified, in the customer account under the account of the

- account management institution that has given the notice; and
- (b) give notice to the immediately superior institution of the number of units for which it has entered or recorded the reduction pursuant to the provisions of item (i), sub-item (a) of the preceding paragraph and of the number of units of which the immediately subordinate institution has given notice pursuant to the provisions of sub-item (b) of that item or this item.
- (ii) in the case of a split, the following measures:
- (a) make an entry or record of the increase in the number of units of which it has been notified, in the customer account under the account of the account management institution that has given the notice; and
  - (b) give notice to the immediately superior institution of the number of units for which it has entered or recorded the increase pursuant to the provisions of item (ii), sub-item (a) of the preceding paragraph and of the number of units of which the immediately subordinate institution has given notice pursuant to the provisions of sub-item (b) of that item or this item.
- (6) A book-entry transfer institution or account management institution that received the notice referred to in paragraph (1) or (2) (including as applied *mutatis mutandis* pursuant to paragraph (3)), must promptly notify its immediately superior institution (or the issuer, if it is a book-entry transfer institution) of the numbers of units of book-entry transfer beneficial interest in an investment trust subject to the merger or split which have been entered or recorded in the accounts of the participants of the book-entry transfer institution or account management institution (excluding a customer account) in the book-entry transfer account register that it keeps on the day immediately preceding the merger or split, and of the number of units of book-entry transfer beneficial interest in the investment trust of which has been given notice by its immediately subordinate institution pursuant to the provisions of this paragraph.

(Making Entries or Records If Book-Entry Transfer Beneficial Interest in an Investment Trust of Another Issue Is Delivered as a Result of a Merger of Trusts)

Article 121-3 (1) If the beneficial interest in each of the trusts involved in a merger of trusts is book-entry transfer beneficial interest in an investment trust and the trustee (in the case of the investment trust managed under instructions from the settlor as defined in Article 2, paragraph (1) of the Act on Investment Trusts and Investment Corporations, the settlor; hereinafter the same applies in this Article and paragraph (1) of the following Article) seeks to deliver book-entry transfer beneficial interest in an investment trust at the time of the merger of trusts, the trustee must give notice to the book-entry transfer institution to which it has given the consent referred to in Article 13,

paragraph (1) of the following information, by two weeks prior to the day on which the merger takes effect. In such a case, the provisions of Articles 69 and 69-2 as applied mutatis mutandis pursuant to Article 121 do not apply.

- (i) the issue of book-entry transfer beneficial interest in an investment trust that is to be delivered to the beneficiaries of the previous trusts at the time of the merger of trusts;
  - (ii) the issues of book-entry transfer beneficial interest in an investment trust of the previous trusts;
  - (iii) the percentage of the total number of units referred to in sub-item (a) to the total number of units referred to in sub-item (b) (hereinafter referred to as the "allotment ratio" in this Article):
    - (a) the total number of units of book-entry transfer beneficial interest in an investment trust referred to in item (i);
    - (b) the total number of units of book-entry transfer beneficial interest in an investment trust referred to in the preceding item;
  - (iv) the day on which the merger of trusts takes effect;
  - (v) the total number of units of book-entry transfer beneficial interest in an investment trust referred to in item (i) to be newly created as a result of the merger of trusts, and other information specified by order of the competent ministry.
- (2) If the notice referred to in the first sentence of the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately give notice to its immediately subordinate institution of the information set forth in items (i) through (iv) of that paragraph regarding the issue of book-entry transfer beneficial interest in the investment trust which has been notified.
- (3) The provisions of the preceding paragraph apply mutatis mutandis to an immediately subordinate institution that has received the notice referred to in that paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (4) If the notice referred to in the first sentence of paragraph (1), or paragraph (2) (including as applied mutatis mutandis pursuant to the preceding paragraph) has been given, the book-entry transfer institution or account management institution that has been notified must take the following measures on the day on which the merger of trusts takes effect (if the book-entry transfer institution or account management institution has a customer account, limited to the measures set forth in items (i) and (ii)):
- (i) make entries or records in the holdings and pledge columns in which entries or records have been made for book-entry transfer beneficial interest in an investment trust referred to in paragraph (1), item (ii) in the book-entry transfer account register that the book-entry transfer institution or account

- management institution keeps, of the increases in book-entry transfer beneficial interest in an investment trust referred to in item (i) of that paragraph of the numbers of units obtained when the number of units that has been entered or recorded in the holdings or pledge column is multiplied by the allotment ratio (if the number of units includes a fraction less than one, it is disregarded);
- (ii) delete the entries or records for all book-entry transfer beneficial interest in an investment trust referred to in paragraph (1), item (ii) under the holdings and pledge columns referred to in the preceding item in which the entries or records have been made;
  - (iii) give notice to the immediately superior institution of the number of units for which it has entered or recorded the increase pursuant to the provisions of item (i).
- (5) If the notice referred to in item (iii) of the preceding paragraph or referred to in item (iii) has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in book-entry transfer beneficial interest in an investment trust referred to in paragraph (1), item (i) of the number of units of which it has been notified, in the customer account under the account of the account management institution that has given the notice;
  - (ii) delete the entries or records for all book-entry transfer beneficial interest in an investment trust referred to in paragraph (1), item (ii) in the customer account referred to in the preceding item in which entries or records have been made;
  - (iii) give notice to the immediately superior institution of the number of units for which it has entered or recorded the increase pursuant to the provisions of item (i) of the preceding paragraph and the number of units which the immediately subordinate institution has notified it pursuant to the provisions of item (iii) of that paragraph or this item.
- (6) A book-entry transfer institution or account management institution that received the notice referred to in the first sentence of paragraph (1), or paragraph (2) (including as applied *mutatis mutandis* pursuant to paragraph (3)), must promptly notify its immediately superior institution (or the trustee, if it is a book-entry transfer institution) of the numbers of units of book-entry transfer beneficial interest in an investment trust subject to the merger of trusts which have been entered or recorded in the accounts of the participants of the book-entry transfer institution or account management institution (excluding a customer account) in the book-entry transfer account register that it keeps on the day immediately preceding the day on which the merger of trusts takes effect, and of the number of units of book-entry transfer beneficial



interest in an investment trust which it has been notified by its immediately subordinate institution pursuant to the provisions of this paragraph.

(Making Entries or Records If Beneficial Interest That Is Not Book-Entry Transfer Beneficial Interest in an Investment Trust Is Delivered as a Result of a Merger of Trusts)

Article 121-4 (1) If a beneficial interest that is required to be extinguished by a merger of trusts is a book-entry transfer beneficial interest in an investment trust and the trustee seeks to deliver a beneficial interest that is not a book-entry transfer beneficial interest in an investment trust at the time of the merger, the trustee must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the day referred to in item (ii):

(i) the issue of the book-entry transfer beneficial interest in an investment trust; and

(ii) the day on which the merger of trusts takes effect;

(2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer beneficial interest in an investment trust which it has been notified.

(3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must delete the entries or records for all units of book-entry transfer beneficial interest in an investment trust referred to in item (i) of that paragraph from the accounts in the book-entry transfer account register that it keeps on the day referred to in item (ii) of that paragraph in which entries or records have been made for the book-entry transfer beneficial interest in an investment trust (for accounts other than the institution-held account or a customer account, the holdings column or the pledge column).

(4) If a notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has been notified.

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

Article 121-5 The provisions of Article 186, items (iii) and (iv), Article 189, Article 194, Article 195, paragraph (1), Article 199, Article 200, paragraph (1),

and Article 201, paragraph (1) of the Trust Act as applied mutatis mutandis pursuant to Article 6, paragraph (7) of the Act on Investment Trusts and Investment Corporations do not apply to book-entry transfer beneficial interest in an investment trust whose attribution of rights is determined by entries or records in a book-entry transfer account register.

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

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

Article 122 The provisions of Chapter IV (excluding the provisions of Article 66, item (i), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 70-3, Article 71, paragraph (8), and Section 4 (excluding Article 84, paragraph (2))), Article 114, paragraph (2), and Article 155, paragraph (8) apply mutatis mutandis to a beneficial interest in a loan trust (meaning a beneficial interest as defined in Article 2, paragraph (2) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter). In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 66	claim for interest	claim to a distribution of profits
Article 66, item (ii)	decision to issue	the basic terms and conditions for the trust (meaning the basic terms and conditions of a trust prescribed in Article 3, paragraph (1) of the Loan Trust Act)
	issued based on that decision will be subject	that decision will be subject
Article 67, paragraph (1)	Corporate bond certificates	Beneficiary certificates (meaning beneficiary certificates as defined in Article 2, paragraph (2) of the Loan Trust Act; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	beneficiary certificate
Article 69, paragraph (1)	after the issuance date of those book-entry transfer bonds, without delay	if a trust has been created for

Article 69, paragraph (1), item (i)	that have been issued	that have been placed in trust
Article 69, paragraph (1), item (ii)	the participants that are the holders and pledgees of book-entry transfer corporate bonds	the participants that are to become the beneficiaries of the trust
Article 69, paragraph (1), item (iv)	for each participant (other than those set forth in the following item);	for each participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (limited to one that is a bondholder referred to in that item),	of that paragraph
Article 69, paragraph (2), item (ii)	the sum of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	Unless an issuer goes through a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee), or a trust company under the trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act (referred to as a "bond administrator or similar person" in the following paragraph) to redeem book-entry transfer corporate bonds for a bondholder or pledgee, the issuer may demand that	The issuer may demand that

	to redeem	to redeem the principal of the
Article 73	claim for interest	claim to a distribution of profits
Article 78, paragraph (1)	redeemed	redeemed or retired
Article 80 and Article 81	this Article and Article 85	this Article
	pay interest	pay profit distributions, purchase,
Article 82	or payment of interest	or payment of profit distribution, or purchase
Article 84, paragraph (2)	corporate bond register	beneficial interest register (meaning a beneficial interest register prescribed in Article 186 of the Trust Act as applied mutatis mutandis pursuant to Article 8, paragraph (5) of the Loan Trust Act following the deemed replacement of terms)
Article 155, paragraph (8)	Article 192, paragraph (1) of the Companies Act	Article 6, paragraph (4) of the Loan Trust Act

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

Article 122-2 (1) When seeking to merge or split a beneficial interest in a loan trust that is of a particular issue (meaning an issue prescribed in Article 68, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article) and that a book-entry transfer institution handles (hereinafter referred to as a "book-entry transfer beneficial interest in a loan trust"), the issuer of the book-entry transfer beneficial interest in a loan trust must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the day of merger or split:

- (i) the issue of the book-entry transfer beneficial interest in a loan trust subject to the merger or split;
- (ii) in the case of a merger, the percentage obtained when the percentage of the total issued quantity referred to in sub-item (a) to the total issued quantity referred to in sub-item (b) is deducted from one (hereinafter referred to as the "reduction ratio" in this Article):
  - (a) the total issued quantity of the book-entry transfer beneficial interest in a loan trust after the merger;
  - (b) the total issued quantity of book-entry transfer beneficial interest in a loan trust before the merger.
- (iii) in the case of a split, the percentage of the total quantity referred to sub-

- item (a) to the total issued quantity referred to in sub-item (b) (hereinafter referred to as the "increase ratio" in this Article):
- (a) the total quantity of the book-entry transfer beneficial interest in a loan trust which beneficiaries receive as a result of the split;
  - (b) the total issued quantity of book-entry transfer beneficial interest in a loan trust before the split.
  - (iv) the date of the merger or split.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer beneficial interest in a loan trust which it has been notified.
- (3) The provisions of the preceding paragraph apply *mutatis mutandis* to an immediately subordinate institution that has received the notice referred to in that paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), if the notice has been given.
- (4) If the notice referred to in paragraph (1) or (2) (including as applied *mutatis mutandis* pursuant to the preceding paragraph) has been given, the book-entry transfer institution or account management institution that has been notified must take the following measures on the date of the merger or split:
- (i) in the case of a merger, the following measures (if the book-entry transfer institution or account management institution has a customer account (meaning a customer account prescribed in Article 68, paragraph (2), item (ii) as applied *mutatis mutandis* pursuant to the preceding Article; hereinafter the same applies in this Article), limited to the measures set forth in sub-item (a)):
    - (a) make entries or records in the accounts in which entries or records have been made for book-entry transfer beneficial interest in a loan trust referred to in paragraph (1), item (i) in the book-entry transfer account register that the book-entry transfer institution or account management institution keeps (excluding a customer account; for accounts other than the institution-held account, the holdings columns (meaning holdings columns prescribed in Article 69, paragraph (2), item (i), sub-item (a) as applied *mutatis mutandis* pursuant to the preceding Article) or the pledge columns (meaning pledge columns prescribed in Article 70, paragraph (3), item (ii) as applied *mutatis mutandis* pursuant to the preceding Article) of those accounts; hereinafter referred to as the "relevant holdings or pledge columns" in this Article) of the reductions in the quantities obtained when the quantity that has been entered or recorded in the relevant holdings or pledge column is multiplied by the reduction ratio (if the quantity includes a fraction of less than one, it is rounded up);

- (b) give notice to the immediately superior institution of the quantities for which it has entered or recorded the reductions pursuant to the provisions of sub-item (a);
- (ii) in the case of a split, the following measures (if the book-entry transfer institution or account management institution has a customer account, limited to the measures set forth in sub-item (a)):
  - (a) make entries or records in the relevant holdings and pledge columns in which entries or records have been made for book-entry transfer beneficial interest in a loan trust referred to in paragraph (1), item (i) in the book-entry transfer account register that the book-entry transfer institution or account management institution keeps, of the increases in the quantities obtained when the quantity that has been entered or recorded in the relevant holdings or pledge columns is multiplied by the increase ratio (if the quantity includes a fraction of less than one, it is rounded up);
  - (b) notify the immediately superior institution of the quantities for which it has entered or recorded increases pursuant to the provisions of sub-item (a).
- (5) If the notice referred to in item (i), sub-item (b) or item (ii), sub-item (b) of the preceding paragraph, or in item (i), sub-item (b) or item (ii), sub-item (b) has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
  - (i) in the case of a merger, the following measures:
    - (a) make an entry or record of the reduction in the quantity which it has been notified, in the customer account under the account of the account management institution that has given the notice;
    - (b) give notice to the immediately superior institution of the quantity for which it has entered or recorded the reduction pursuant to the provisions of item (i), sub-item (a) of the preceding paragraph and on the quantity which the immediately subordinate institution has notified it pursuant to the provisions of sub-item (b) of that item or this item;
  - (ii) in the case of a split, the following measures:
    - (a) make an entry or record of the increase in the quantity which it has been notified, in the customer account under the account of the account management institution that has given the notice;
    - (b) give notice to the immediately superior institution of the quantity for which it has entered or recorded the increase pursuant to the provisions of item (ii), sub-item (a) of the preceding paragraph and the quantity which the immediately subordinate institution has notified it pursuant to the provisions of sub-item (b) of that item or this item.
- (6) A book-entry transfer institution or account management institution that has

received the notice referred to in paragraph (1) or (2) (including as applied mutatis mutandis pursuant to paragraph (3)), must promptly notify its immediately superior institution (or the issuer, if it is a book-entry transfer institution) of the quantities of book-entry transfer beneficial interest in a loan trust subject to the merger or split which have been entered or recorded under the accounts of the participants of the book-entry transfer institution or account management institution (excluding a customer account) in the book-entry transfer account register that it keeps on the day immediately preceding the merger or split, and of the quantity of book-entry transfer beneficial interest in a loan trust which it has been notified by its immediately subordinate institution pursuant to the provisions of this paragraph.

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

Article 123 When seeking to conclude a trust agreement involving book-entry transfer beneficial interest in a loan trust, a trust company or similar institution must issue public notice indicating the fact that the provisions of this Act apply to the book-entry transfer beneficial interest in a loan trust, in addition to the information set forth in the items of Article 7, paragraph (1) of the Loan Trust Act.

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

Article 123-2 The provisions of Article 186, items (iii) and (iv), Article 189, Article 194, Article 195, paragraph (1), Article 199, Article 200, paragraph (1), and Article 201, paragraph (1) of the Trust Act as applied mutatis mutandis pursuant to Article 8, paragraph (5) of the Loan Trust Act do not apply to book-entry transfer beneficial interest in a loan trust whose attribution of rights is determined by entries or records in a book-entry transfer account register.

**Section 8 Book-Entry Transfer of Beneficial Interest in Specified Purpose Trusts**

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

Article 124 The provisions of Chapter IV (excluding Article 66, item (i), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 70-3, Article 71, paragraph (8), Article 83, Article 84, paragraphs (1), (3), and (4), Article 86, paragraph (1), item (ii), and Articles 86-2 through 86-4), Article 114, paragraph (2), and

Article 155, paragraph (8) apply mutatis mutandis to beneficial interest in a specified purpose trust (meaning beneficial interest as defined in Article 2, paragraph (15) of the Act on the Securitization of Assets; the same applies hereinafter). In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 66	claim for interest	claim to profits
Article 66, item (ii)	decision to issue	specific purpose trust agreement (meaning a specific purpose trust agreement prescribed in Article 229 of the Act on the Securitization of Assets)
	issued based on that decision will be subject	will be subject
Article 67, paragraph (1)	Corporate bond certificates	Beneficiary certificates (meaning beneficiary certificates as defined in Article 2, paragraph (15) of the Act on the Securitization of Assets; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	beneficiary certificate
Article 68, paragraph (3), item (ii)	trade name	name
Article 68, paragraph (3), item (iii)	amount	number of units of the share of principal prescribed in Article 226, paragraph (1), item (iii), sub-item (b) of the Act on the Securitization of Assets (or the share of interest prescribed in sub-item (b) of that item, if the issue has no share of principal) (hereinafter referred to as the "number of units of interest")



Article 68, paragraph (3), items (iv) and (v), paragraph (4), item (ii), and paragraph (5), item (ii)	amount	number of units of interest
Article 69, paragraph (1)	after the issuance date of those book-entry transfer bonds, without delay	if a trust has been created for
Article 69, paragraph (1), item (i)	that have been issued	that have been placed in trust
Article 69, paragraph (1), item (ii)	the participants that are the holders and pledgees of book-entry transfer corporate bonds	the participants that are to hold rights in the trust
Article 69, paragraph (1), item (iv)	the amount of book-entry transfer corporate bonds referred to in item (i) for each participant (other than those set forth in the following item);	the number of units of interest in book-entry transfer corporate bonds referred to in item (i) for each participant (other than those set forth in the following item);
Article 69, paragraph (1), item (vii)	total amount	total number of units of interest
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (limited to one that is a bondholder referred to in that item),	of that paragraph
	increase in the amount	increase in the number of units of interest
Article 69, paragraph (2), item (ii)	increase in the total of the amounts referred to in items (iv) and (v) of the preceding paragraph	increase in the number of units interest referred to in the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (1)	the reduction or increase	the reduction or increase in the number of units of interest
Article 70, paragraph (2)	reduction	reduction in the number of units of interest
Article 70, paragraph (3), item (i)	the reduction and increase	the reduction and increase in the number of units of interest
	amount	number of units of interest
Article 70, paragraph (3), item (ii)	reduction	reduction equal to the number units of interest

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

Article 71, paragraph (7)	Unless an issuer goes through a corporate bond administrator, assistant bond administrator (limited to one that is authorized to receive redemption of book-entry transfer corporate bonds for a bondholder or pledgee), or a trust company under a trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act (referred to as a "bond administrator or similar person" in the following paragraph) to redeem book-entry transfer corporate bonds for a bondholder or pledgee, the issuer may demand that	The issuer may demand that
	the same amount from the account as the amount of	the same number of units of interest from the account as the number of units of interest
Article 73	claim for interest	claim to profit
	increase in the amount	increase in the number of units of interest
Article 74	increase in the amount	increase in the number of units of interest
Article 77	the increase in	the increase in the number of units of interest
	the increase	the increase
Article 78, paragraph (1)	total amount	total number of units of interest
	the total issued amount (other than any amount that has been redeemed) total amount of... which have been issued	the total issued units of interest (other than any units of interest that have been redeemed)
	aggregate amount	aggregate number
	total issued amount	total number of issued units of interest
	amount of the overage	number in overage
	deducting the total issued amount	deducting the total number of issued units of interest
	amount	number of units of interest
Article 78, paragraph (2)	amount	number of units of interest
	increase or reduction	increase or reduction in the number of units of interest

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

Article 81, paragraph (1)	amount	number of units of interest
	total amount	total number of units of interest
	amount of the overage	number in overage
	the amount related to	the number of units of interest related to
	deducting the amount related to the obligation	deducting the number of units of interest related to the obligation
	the amount obtained when	number of units of interest obtained when
	maximum amount ascribable to the account management institution	maximum number of units of interest ascribable to the account management institution
	redeem the principal or pay interest on	redeem or distribute profits for
	aggregate amount	aggregate number
Article 81, paragraph (2), item (i)	maximum amount ascribable to the account management institution	maximum number of units of interest ascribable to the account management institution
	redeem the principal or pay interest on	redeem or distribute profits for
Article 82	amount	number of units of interest
	redeem the principal or pay interest on	redeem or distribute profits for
Article 84, paragraph (2)	corporate bond register	right holder list (meaning a right holder list prescribed in Article 235, paragraph (1) of the Act on the Securitization of Assets)
Article 85, paragraph (1)	Article 723, paragraph (1) of the Companies Act	Article 244, paragraph (1) of the Act on the Securitization of Assets (including as applied mutatis mutandis pursuant to Article 250, paragraph (3) and Article 253 of that Act)
	the amount of corporate bonds held by them (other than the sum of the maximum amount ascribable to the book-entry transfer institution and maximum amount ascribable to the account management institution)	the number of units of interest held by them (other than the sum of the maximum number of units of interest ascribable to the book-entry transfer institution and maximum number of units of interest ascribable to the account management institution)

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

	paragraph (3) of that Article	Article 718, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 242, paragraph (5) of the Act on the Securitization of Assets (including as applied mutatis mutandis pursuant to Article 250, paragraph (3) and Article 253 of the same Act) following the deemed replacement of terms
	, exercise of voting rights at a bondholders meeting	, exercise of voting rights at a right holders meeting or class right holders meeting
	, or inspection of the state of storage of collateral under the provisions of Article 49, paragraph (1) of the Secured Bonds Trust Act, the holder	, the holder
Article 86, paragraph (1), item (i)	a bond administrator	specific trust administrator (meaning a specific trust administrator as prescribed in Article 2, paragraph (18) of the Act on the Securitization of Assets)
	the bond administrator	the specific trust administrator
Article 86, paragraph (1), item (iv)	preceding three items	item (i)
Article 86, paragraph (2)	bondholders meeting	right holders meeting or class right holders meeting
Article 155, paragraph (8)	Article 192, paragraph (1) of the Companies Act	Article 271, paragraph (1) of the Act on the Securitization of Assets (including as applied mutatis mutandis pursuant to Article 272, paragraph (2) of that Act)

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

Article 124-2 (1) When seeking to merge or split a beneficial interest in a specified purpose trust that is of a particular issue (meaning an issue prescribed in Article 68, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article) and that a book-entry transfer institution handles (hereinafter referred to as a "book-entry transfer beneficial interest in a specified purpose trust"), the issuer of the book-entry transfer beneficial interest in a specified purpose trust

must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the day of merger or split:

- (i) the issue of book-entry transfer beneficial interest in a specified purpose trust subject to the merger or split;
  - (ii) in the case of a merger, the percentage obtained when the percentage of the total number of issued units of interest referred to sub-item (a) to the total number of issued units of interest referred to in sub-item (b) is deducted from one (hereinafter referred to as the "reduction ratio" in this Article):
    - (a) the total number of issued units of interest constituting the book-entry transfer beneficial interest in a specified purpose trust after the merger;
    - (b) the total number of issued units of interest constituting the book-entry transfer beneficial interest in a specified purpose trust before the merger.
  - (iii) in the case of a split, the percentage of the total number of issued units of interest referred to in sub-item (a) to the total number of units of interest referred to in sub-item (b) (hereinafter referred to as the "increase ratio" in this Article):
    - (a) the total number of units of interest constituting the book-entry transfer beneficial interest in a specified purpose trust which beneficiaries receive as a result of the split;
    - (b) the total number of issued units of interest constituting the book-entry transfer beneficial interest in a specified purpose trust before the split.
  - (iv) the date of the merger or split.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of beneficial interest in a specified purpose trust which it has been notified.
- (3) The provisions of the preceding paragraph apply mutatis mutandis to an immediately subordinate institution that has received the notice referred to in that paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (4) If the notice referred to in paragraph (1) or (2) (including as applied mutatis mutandis pursuant to the preceding paragraph) has been given, the book-entry transfer institution or account management institution that has been notified must take the following measures on the date of the merger or split:
- (i) in the case of a merger, the following measures (if the book-entry transfer institution or account management institution has a customer account (meaning a customer account prescribed in Article 68, paragraph (2), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article), limited to the measures set forth in sub-



- item (a)):
- (a) make entries or records in the accounts in which entries or records have been made for book-entry transfer beneficial interest in a specified purpose trust referred to in paragraph (1), item (i) in the book-entry transfer account register that the book-entry transfer institution or account management institution keeps (excluding a customer account; for accounts other than the institution-held account, the holdings columns (meaning holdings columns prescribed in Article 69, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to the preceding Article) or the pledge columns (meaning pledge columns prescribed in Article 70, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article) of those accounts; hereinafter referred to as the "relevant holdings or pledge columns" in this Article) of the reductions in the number of units of interest obtained when the number of units of interest that has been entered or recorded in the relevant holdings or pledge columns is multiplied by the reduction ratio (if the number of units of interest includes a fraction of less than one, it is rounded up);
  - (b) give notice to the immediately superior institution of the number of units of interest which it has entered or recorded the reductions pursuant to the provisions of sub-item (a);
  - (ii) in the case of a split, the following measures (if the book-entry transfer institution or account management institution has a customer account, limited to the measures set forth in sub-item (a)):
    - (a) make entries or records in the relevant holdings and pledge columns in which entries or records have been made for book-entry transfer beneficial interest in a specified purpose trust referred to in paragraph (1), item (i) in the book-entry transfer account register that the book-entry transfer institution or account management institution keeps, of the increases in the number of units of interest obtained when the number of units of interest that has been entered or recorded in the relevant holdings or pledge columns is multiplied by the increase ratio (if the number of units of interest includes a fraction of less than one, it is rounded up); and
    - (b) give notice to the immediately superior institution of the number of units of interest which it has entered or recorded the increases pursuant to the provisions of sub-item (a).
- (5) If the notice referred to in item (i), sub-item (b) or item (ii), sub-item (b) of the preceding paragraph, or in item (i), sub-item (b) or item (ii), sub-item (b) has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) in the case of a merger, the following measures:

- (a) make an entry or record of the reduction in the number of units of interest which it has been notified, in the customer account under the account of the account management institution that has given the notice; and
  - (b) give notice to the immediately superior institution of the number of units of interest which it has entered or recorded the reduction pursuant to the provisions of item (i), sub-item (a) of the preceding paragraph and the number of units of interest which the immediately subordinate institution has notified it pursuant to the provisions of sub-item (b) of that item or this item;
- (ii) in the case of a split, the following measures:
- (a) make an entry or record of the increase in the number of units of interest which it has been notified, in the customer account under the account of the account management institution that has given the notice; and
  - (b) give notice to the immediately superior institution of the number of units of interest which it has entered or recorded the increase pursuant to the provisions of item (ii), sub-item (a) of the preceding paragraph and the number of units of interest which the immediately subordinate institution has notified it pursuant to the provisions of sub-item (b) of that item or this item.
- (6) A book-entry transfer institution or account management institution that received the notice referred to in paragraph (1) or (2) (including as applied *mutatis mutandis* pursuant to paragraph (3)) must promptly notify its immediately superior institution (or the issuer, if it is a book-entry transfer institution) of the number of units of interest constituting book-entry transfer beneficial interest in a specified purpose trust subject to the merger or split which have been or recorded under the accounts of the participants of the book-entry transfer institution or account management institution (excluding a customer account) in the book-entry transfer account register that it keeps on the day immediately preceding the merger or split, and the number of units of interest constituting book-entry transfer beneficial interest in a specified purpose trust which it has been notified by its immediately subordinate institution pursuant to the provisions of this paragraph.

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

Article 125 In applying the provisions of the Act on the Securitization of Assets to a book-entry transfer beneficial interest in a specified purpose trust, in addition to deeming the holder of a book-entry transfer beneficial interest in a specified purpose trust to be the right holder of a beneficiary certificate, in applying Article 286 of that Act, the book-entry transfer beneficial interest in a

specified purpose trust is deemed to be a beneficiary certificate prescribed in that Act.

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

Article 126 (1) The provisions of Article 201, paragraph (1) of the Trust Act as applied mutatis mutandis pursuant to Article 239, paragraph (1) of the Act on the Securitization of Assets do not apply to book-entry transfer beneficial interest in a specified purpose trust.

(2) Notwithstanding the provisions of Article 103, paragraph (4) of the Trust Act as applied mutatis mutandis pursuant to Article 271, paragraph (4) of the Act on the Securitization of Assets (including as applied mutatis mutandis pursuant to Article 272, paragraph (2) of that Act), in lieu of giving notice as under the provisions, the trustee company, etc. of the book-entry transfer beneficial interest in a specified purpose trust (meaning a trustee company, etc. as defined in Article 2, paragraph (16) of the Act on the Securitization of Assets) must issue public notice of the information of which it is required to give notice.

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

Article 127 The provisions of Chapter IV (excluding the provisions of Article 66, item (i), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 70-3, and Section 4) and Article 114 apply mutatis mutandis to foreign bonds (meaning rights required to be indicated on bond certificates issued by a foreign country or foreign corporation). In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 67	Corporate bond certificates	Bond certificates
Article 68, paragraph (3), item (ii)	trade name	name
Article 69, paragraph (1), item (ii)	the participants that are the holders or pledgees	the participants that are the holders

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

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

(Attribution of Rights)

- Article 127-2 (1) The attribution of a beneficial interest in a trust with certificates of beneficial interest (excluding a beneficial interest prescribed in Article 185, paragraph (2) of the Trust Act) which is handled by a book-entry transfer institution (hereinafter referred to as a "book-entry transfer beneficial interest" in this Chapter) is determined by the entries or records in a book-entry transfer account register as under the provisions of this Chapter.
- (2) The issuer must act in accordance with the terms of trust to give the consent referred to in Article 13, paragraph (1) with respect to their beneficial interest.

(Non-Issuance of Beneficiary Certificates)

- Article 127-3 (1) Beneficiary certificates may not be issued for book-entry transfer beneficial interest.
- (2) Notwithstanding the provisions of the preceding paragraph, if a book-entry transfer institution that handles the book-entry transfer beneficial interest has the designation under Article 3, paragraph (1) revoked pursuant to the provisions of Article 22, paragraph (1) or the designation expires pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to its book-entry transfer business, or if a book-entry transfer institution that handles book-entry transfer beneficial interest ceases to handle that book-entry transfer beneficial interest, the beneficiary of the book-entry transfer beneficial interest may request the issuer to issue a beneficiary certificate.
- (3) A beneficiary certificate referred to in the preceding paragraph is to be in bearer form.

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

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

- Article 127-4 (1) A book-entry transfer account register is subdivided by account for each participant
- (2) The account of an account management institution in a book-entry transfer account register is subdivided into the following accounts:
- (i) an account in which entries or records are made for book-entry transfer beneficial interest in which the account management institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter); and
  - (ii) an account in which entries or records are made for book-entry transfer beneficial interest in which the participants of the account management institution or its subordinate institution hold rights (hereinafter referred to

- as a "customer account" in this Chapter).
- (3) The following information is entered or recorded in each account (excluding a customer account) in a book-entry transfer account register:
- (i) the name and address of the participant;
  - (ii) the issuer's name and the type of the book-entry transfer beneficial interest (hereinafter referred to as the "issue" in this Chapter);
  - (iii) the number of units of book-entry transfer beneficial interest by issue (other than one set forth in the following item);
  - (iv) if the participant is a pledgee, that fact and the number of units of book-entry transfer beneficial interest underlying the pledge by issue;
  - (v) if the participant is the trustee of a trust, that fact and the number of units of book-entry transfer beneficial interest referred to in the preceding two items which constitute trust property;
  - (vi) if an entry or record has been made for the increase or reduction in the number referred to in item (iii) or (iv), whether it is for an increase or reduction, the number of the units of book-entry transfer beneficial interest that has increased or has been reduced, and the date on which the entry or record was made; and
  - (vii) other information specified by Cabinet Order.
- (4) The following information is entered or recorded for each customer account in a book-entry transfer account register:
- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the number of units of book-entry transfer beneficial interest by issue; and
  - (iii) other information specified by Cabinet Order.
- (5) If a book-entry transfer institution opens an institution-held account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the number of units of book-entry transfer beneficial interest by issue; and
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one specified by order of the competent ministry).

(New Entries or Records to be Made upon Issuance of Book-Entry Transfer Beneficial Interest)

Article 127-5 (1) The issuer of book-entry transfer beneficial interest of a particular issue must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information after the date on which the book-entry transfer beneficial interest is created without delay:

- (i) the issue of the book-entry transfer beneficial interest;

- (ii) the names of the participants that constitute the beneficiaries or pledgees of the book-entry transfer beneficial interest referred to in the preceding item;
  - (iii) the accounts opened for the participants referred to in the preceding item, in which book entries are to be made for the book-entry transfer beneficial interest referred to in item (i);
  - (iv) the number of units of book-entry transfer beneficial interest referred to in item (i) for each participant (other than one set forth in the following item);
  - (v) if the participant is a pledgee, that fact and the number of units of book-entry transfer beneficial interest referred to in item (i) underlying the pledge;
  - (vi) if the participant is the trustee of a trust, that fact and the number of units of book-entry transfer beneficial interest referred to in item (iv) and the preceding item which constitute trust property;
  - (vii) information set forth in paragraph (3), item (iii) of the preceding Article, which Cabinet Order prescribes as information that the issuer is able to learn; and
  - (viii) the total number of units of the book-entry transfer beneficial interest referred to in item (i) and other information specified by order of the competent ministry.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately take the following measures for the issue of book-entry transfer beneficial interest which it has been notified:
- (i) make the following entries or records, if the book-entry transfer institution is the one that opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or record of the increase in the number referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph (limited to one that is a beneficiary referred to in that item), in the column of the account in which the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
    - (b) an entry or record of the increase in the number referred to in item (v) of the preceding paragraph for a participant referred to in item (ii) of that paragraph (limited to one that is a pledgee referred to in that item), in the column of the account in which the information set forth in paragraph (3), item (iv) of the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
    - (c) an entry or record of the increase in the number of units of book-entry transfer beneficial interest constituting trust property referred to in item

- (vi) of the preceding paragraph in the account;
- (d) an entry or record of the information set forth in item (vii) of the preceding paragraph in the account; and
- (e) an entry or record of the information set forth in item (viii) of the preceding paragraph in the account;
- (ii) make an entry or record of the increase in the sum of the numbers referred to in items (iv) and (v) of the preceding paragraph for a participant referred to in item (ii) of that paragraph, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution that is the superior institution of the participant, and notify the immediately subordinate institution of the information set forth in items (i) through (vii) of that paragraph, if the book-entry transfer institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has received the notice.

(Procedure If a Trustee is Unable to Identify the Account of the Beneficiary)

Article 127-6 (1) If a trustee seeks to deliver book-entry transfer beneficial interest of a particular issue and is unable to identify the account that has been opened for the beneficiary or pledgee of that beneficial interest in which book entries are to be made for book-entry transfer beneficial interest, the trustee (or the person specified by order of the competent ministry as being equivalent to a trustee, if a book-entry transfer beneficial interest is to be delivered at the time of a merger of trusts or in any other case specified by order of the competent ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that order of the competent ministry prescribes as the one that should become the beneficiary or pledgee of the book-entry transfer beneficial interest of the following information, by one month prior to the fixed date referred to in item (i):

- (i) the fact that the trustee will give the notice referred to in paragraph (1) of the preceding Article or file an application for a book-entry transfer to be made for the beneficiary (excluding the beneficiary of a beneficial interest underlying a pledge, if there is a pledgee) or the pledgee of the book-entry transfer beneficial interest on a fixed date;
- (ii) the fact that the notifier must be notified of the account opened for the beneficiary or pledgee referred to in the preceding item (excluding an account opened by a book-entry transfer institution or account management institution based on a request referred to in the main clause of paragraph



- (3)) in which book entries are to be made for the book-entry transfer beneficial interest by the fixed date referred to in that item;
- (iii) the name and address of the book-entry transfer institution or account management institution that opens accounts based on requests referred to in the main clause of paragraph (3); and
- (iv) other information specified by order of the competent ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than a trustee referred to in that paragraph, the notifier must notify that trustee, on the fixed date referred to in item (i) of that paragraph, of the account referred to in item (ii) of that paragraph of which the beneficiary or pledgee referred to in that item has notified them.
- (3) If a beneficiary or pledgee referred to in paragraph (1), item (i) does not notify the notifier of the account referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the trustee must request the book-entry transfer institution or account management institution referred to in item (iii) of that paragraph to open an account for the beneficiary or pledgee in which book entries are to be made for book-entry transfer beneficial interest (hereinafter referred to as a "special account" in this Chapter); provided, however, that this does not apply if there is a special account open that the trustee has requested be opened for the beneficiary or pledgee.
- (4) If a trustee is the issuer of a beneficial interest that constitutes a book-entry transfer beneficial interest referred to in paragraph (1) and has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), the trustee must promptly give the consent referred to in Article 13, paragraph (1) to the book-entry transfer institution for the beneficial interest.
- (5) In the case prescribed in paragraph (1), when the trustee gives the notice referred to in paragraph (1) of the preceding Article, they must use the account referred to in paragraph (1), item (ii) which has been notified by the beneficiary or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.

#### (Making Book Entries)

Article 127-7 (1) If an application for a book-entry transfer involving book-entry transfer beneficial interest of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (8) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction or increase in the book-entry transfer account register that it keeps, or give notice

to the person concerned of the reduction or increase.

- (2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is an application that the participant files with its immediately superior institution for whom the reduction is entered or recorded in their account (excluding a customer account) by the book-entry transfer.
- (3) A person filing an application referred to in paragraph (1) must indicate the following information in that application:
  - (i) the issue and the number of units of book-entry transfer beneficial interest for which the reduction and increase are required to be entered or recorded when the book-entry transfer is made;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the participant referred to in the preceding paragraph;
  - (iii) the account in which the increase is required to be entered or recorded (excluding a customer account; hereinafter referred to as the "transferee account" in this Chapter); and
  - (iv) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (excluding an institution-held account).
- (4) If an application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
  - (i) make an entry or record of the reduction in the number referred to in item (i) of the preceding paragraph (hereinafter referred to as the "number subject to book-entry transfer" in this Article) in the holdings column or pledge column of the account of the participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
  - (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of item (i), item (iii), and item (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the holdings column or the pledge column of the transferee account indicated pursuant to the provisions of item (iv) of the preceding paragraph (or in the column in which the information set forth in Article 127-4, paragraph (5), item (ii) is entered or recorded, for an institution-held account; hereinafter referred to as the "transferee column"), if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;

- (iv) make an entry or record of the increase in the number subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information indicated pursuant to the provisions of item (i), item (iii), and item (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the reduction in the number subject to book-entry transfer in the customer account under the account of the account management institution that has given the notice;
  - (ii) give notice to the immediately superior institution of the information which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account; and
  - (iv) make an entry or record of the increase in the number subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

- (7) If the notice referred to in paragraph (4), item (iv) or paragraph (5), item (iv) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) has been given, the account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the account management institution is the one that opened the transferee account;
  - (ii) make an entry or record of the increase in the number subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information of which it has been notified pursuant to the provisions of paragraph (4), item (iv) or paragraph (5), item (iv), if the account management institution is not the one that opened the transferee account.
- (8) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has received the notice.

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

- Article 127-8 (1) A participant may not file an application for a book-entry transfer involving a book-entry transfer beneficial interest that has been entered or recorded in a special account if the transferee account is other than that of the participant or the issuer of the book-entry transfer beneficial interest.
- (2) If a person that acquired a beneficial interest in a trust disappearing in a merger of trusts before giving the notice or filing the application referred to in Article 127-5, paragraph (1) for a book-entry transfer beneficial interest of a particular issue and that cannot be delivered the book-entry transfer beneficial interest in lieu of the beneficial interest at the time of the merger because no entry or record has been made for the person in the beneficial interest register, or any other person specified by order of the competent ministry (hereinafter referred to as the "acquirer or other such person" in this Article) files a joint request together with the participant with the special account in which the book-entry transfer beneficial interest has been entered or recorded, after giving the notice or filing the application, the issuer must take the following actions. The same applies if the acquirer or other such person files a request by

attaching an authenticated copy or certified copy of an enforceable judgment that orders the participant to file the request or by attaching any other document specified by order of the competent ministry as being equivalent to the copy, or in cases prescribed by order of the competent ministry as those that are unlikely to harm the interests of the participant and other interested persons even if the issuer takes the following actions upon the request by the acquirer or other such person.

(i) filing a request referred to in the main clause of Article 127-6, paragraph (3) for the acquirer or other such person; and

(ii) filing an application for book-entry transfer of the book-entry transfer beneficial interest in the transferee account that has been opened upon the request referred to in the preceding item.

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

(Transfer of Special Account)

Article 127-8-2 (1) The issuer of book-entry transfer beneficial interest that has been entered or recorded in a special account may request a book-entry transfer institution or account management institution other than the book-entry transfer institution or account management institution that has opened the special account (referred to as the "pre-transfer book-entry transfer institution or account management institution" in the following paragraph and paragraph (3)) to open a special account in which book entries are to be made for the book-entry transfer beneficial interest for the participants with the former special account.

(2) The request referred to in the preceding paragraph must be filed collectively for all participants with the special account opened by the pre-transfer book-entry transfer institution or account management institution in which book entries are to be made for the book-entry transfer beneficial interest (referred to as the "pre-transfer special account" in the following paragraph and paragraph (4)); provided, however, that this does not apply to the participant in cases where the special account that the issuer referred to in the preceding paragraph has requested to be opened for the participant exists at the book-entry transfer institution or account management institution to which the request referred to in that paragraph has been filed.

(3) The issuer referred to in paragraph (1) may file an application with the pre-transfer book-entry transfer institution or account management institution for a book-entry transfer, using the post-transfer special account (meaning the special account opened upon the request referred to in that paragraph or the special account referred to in the proviso to the preceding paragraph; the same

applies in the following paragraph) as the transferee account, for all units of book-entry transfer beneficial interest entered or recorded in the pre-transfer special account.

- (4) If the issuer referred to in paragraph (1) files an application referred to in the preceding paragraph, they must, without delay, notify the participants with the pre-transfer special account of the name and address of the book-entry transfer institution or account management institution that has opened the post-transfer special account.

#### (Making Deletions)

Article 127-9 (1) If an application for the deletion of a book-entry transfer beneficial interest of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.

- (2) The application referred to in the preceding paragraph is an application that the participant for whom the reduction resulting from the deletion is entered or recorded in their account (excluding a customer account) files with their immediately superior institution.
- (3) A participant filing an application referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
- (i) the issue and the number of units of book-entry transfer beneficial interest for which the reduction is required to be entered or recorded when the deletion is made; and
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account.
- (4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
- (i) make an entry or record of the reduction in the number referred to in item (i) of the preceding paragraph in the holdings column or pledge column of the applicant's account indicated pursuant to the provisions of item (ii) of the preceding paragraph; and
  - (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given,

the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:

- (i) make an entry or record of the reduction in the number referred to in paragraph (3), item (i) in the customer account under the account of the account management institution that has given the notice; and
  - (ii) give notice to the immediately superior institution of the information which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply *mutatis mutandis* to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), if the notice has been given.
- (7) Unless an issuer goes through a beneficiary agent to fully pay its obligation underlying a beneficial claim associated with a book-entry transfer beneficial interest for the beneficiary or pledgee, the issuer may demand that, in exchange for the issuer to fully pay the beneficiary or pledgee its obligation underlying the beneficial claim associated with the book-entry transfer beneficial interest, the beneficiary or pledgee file an application with their immediately superior institution to make a deletion for the same number of units of book-entry transfer beneficial interest of that issue in their account as the number of units of book-entry transfer beneficial interest that are to be paid.
- (8) The provisions of the preceding paragraph apply *mutatis mutandis* when a beneficiary agent through which all obligations under a beneficial claim associated with a book-entry transfer beneficial interest have been paid for a beneficiary or pledgee pays the amount to the beneficiary or pledgee.

(Deleting All Entries or Records)

Article 127-10 (1) The issuer of book-entry transfer beneficial interest of a particular issue must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the date referred to in item (ii) when seeking to delete all the entries or records regarding that book-entry transfer beneficial interest:

- (i) the issue of the book-entry transfer beneficial interest; and
  - (ii) the day on which all the entries or records regarding that book-entry transfer beneficial interest will be deleted.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its

immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer beneficial interest which it has been notified.

- (3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must delete the entries or records for all units of book-entry transfer beneficial interest referred to in item (i) of that paragraph from the accounts in the book-entry transfer account register that it keeps on the day referred to in item (ii) of that paragraph in which entries or records have been made for the book-entry transfer beneficial interest (for accounts other than the institution-held account or a customer account, the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter).
- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.

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

Article 127-11 (1) When seeking to merge the book-entry transfer beneficial interest of a particular issue through a change to the trust, the issuer of the book-entry transfer beneficial interest must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by no later than two weeks prior to the day on which the merger of beneficial interest takes effect:

- (i) the issue of book-entry transfer beneficial interest subject to the merger;
  - (ii) the percentage obtained when the percentage of the total number referred to in sub-item (a) to the total number referred to in sub-item (b) is deducted from one (hereinafter referred to as the "reduction ratio" in this Article):
    - (a) the total number of units of book-entry transfer beneficial interest after the merger of beneficial interest;
    - (b) the total number of units of book-entry transfer beneficial interest before the merger of beneficial interest;
  - (iii) the day on which the merger of beneficial interest takes effect; and
  - (iv) the issuer's account (if there are two or more accounts, one of them).
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has received the notice must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer beneficial interest which it has been notified.
- (3) If the notice referred to in paragraph (1) has been given, the book-entry



transfer institution that has received the notice must make entries or records in the holdings or pledge column in which entries or records have been made for book-entry transfer beneficial interest referred to in item (i) of that paragraph in the book-entry transfer account register that it keeps on the day referred to in item (iii) of that paragraph, of the reductions in the number obtained when each number that has been entered or recorded in the holdings or pledge column is multiplied by the reduction ratio.

- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the reduction pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number of less than one to be entered or recorded in the holdings or pledge column prescribed in paragraph (3), in lieu of making the entry or record that it is required to be made in the holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or record as prescribed by Cabinet Order in the holdings or pledge column of the participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and give necessary instructions to its subordinate institution for making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with the instructions.

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

Article 127-12 (1) When seeking to split the book-entry transfer beneficial interest of a particular issue through a change to the trust, the issuer of the book-entry transfer beneficial interest must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the day on which the split of beneficial interest takes effect:

- (i) the issue of book-entry transfer beneficial interest subject to the split;
- (ii) the percentage of the total number referred to in sub-item (a) to the total number referred to in sub-item (b) (hereinafter referred to as the "increase ratio" in this Article):
- (a) the total number of units of book-entry transfer beneficial interest that beneficiaries will receive as a result of the split of the beneficial interest;
- (b) the total number of units of book-entry transfer beneficial interest before

the split of the beneficial interest.

- (iii) the day on which the split of beneficial interest takes effect;
  - (iv) the issuer's account (if there are two or more accounts, one of them).
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer beneficial interest which has been notified.
- (3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must make entries or records in the holdings or pledge column in which entries or records have been made for book-entry transfer beneficial interest referred to in item (i) of that paragraph in the book-entry transfer account register that it keeps on the date referred to in item (iii) of that paragraph, of the increases in the number obtained when each number that have been entered or recorded in the holdings or pledge column is multiplied by the increase ratio.
- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number less than one to be entered or recorded in the holdings or pledge column prescribed paragraph (3), in lieu of making the entry or record that it is required to be made for that holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or record as prescribed by Cabinet Order in the holdings or pledge column of the participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and give necessary instructions to its subordinate institution for making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with the instructions.

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

Article 127-13 (1) If beneficial interest in each of the trust involved in a merger of trusts is book-entry transfer beneficial interest and the trustee seeks to deliver book-entry transfer beneficial interest at the time of the merger of trusts, the trustee must notify the book-entry transfer institution to which it

has given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the day on which the merger takes effect. In such a case, the provisions of Article 127-5 and Article 127-6 do not apply.

- (i) the issue of book-entry transfer beneficial interest that will be delivered at the time of the merger of trusts to the beneficiaries of the previous trust;
  - (ii) the issue of book-entry transfer beneficial interest in the previous trust;
  - (iii) the percentage of the total number referred to in sub-item (a) to the total number referred to in sub-item (b) (hereinafter referred to as the "allotment ratio" in this Article):
    - (a) the total number of units of book-entry transfer beneficial interest referred to in item (i);
    - (b) the total number of units of book-entry transfer beneficial interest referred to in the preceding item.
  - (iv) the day on which the merger of trusts takes effect;
  - (v) the account of the issuer of book-entry transfer beneficial interest referred to in item (i) (if there are two or more accounts, one of them);
  - (vi) information set forth in Article 127-4, paragraph (3), item (vii), which Cabinet Order prescribes as information that the issuer is able to learn; and
  - (vii) the total number of units of book-entry transfer beneficial interest referred to in item (i) which will be newly created as a result of the merger of trusts, and other information specified by order of the competent ministry.
- (2) If the notice referred to in the first sentence of the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in items (i) through (vi) of that paragraph regarding the issue of book-entry transfer beneficial interest which has been notified.
- (3) If the notice referred to in the first sentence of paragraph (1) has been given, the book-entry transfer institution that has been notified must take the following measures in the holdings or pledge column in which entries or records have been made for book-entry transfer beneficial interest referred to in item (ii) of that paragraph in the book-entry transfer account register that it keeps, on the day on which the merger of trusts takes effect:
- (i) make entries or records of the increases in book-entry transfer beneficial interest referred to in paragraph (1), item (i) of the number obtained when each number of units of book-entry transfer beneficial interest referred to in item (ii) of that paragraph for which an entry or record has been made in the holdings or pledge column is multiplied by the allotment ratio, and make entries or records of the information prescribed in item (vi) of that paragraph; and
  - (ii) delete the entries or records for all book-entry transfer beneficial interest referred to in paragraph (1), item (ii).

- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number of less than one to be entered or recorded in the holdings or pledge column prescribed paragraph (3), in lieu of making the entry or record that is required to be made in that holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or record as prescribed by Cabinet Order in the holdings or pledge column of the participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (v), and give necessary instructions to its subordinate institution for making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with the instructions.

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

Article 127-14 (1) If the beneficial interest in a split trust (meaning a split trust prescribed in Article 155, paragraph (1), item (vi) of the Trust Act; hereinafter the same applies in this paragraph) is book-entry transfer beneficial interest and the trustee seeks to deliver book-entry transfer beneficial interest at the time of the absorption-type trust split, or if the beneficial interest in a trust prior to a creation-type trust split is book-entry transfer beneficial interest and the trustee seeks to deliver book-entry transfer beneficial interest at the time of the creation-type trust split, the trustee must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the day on which the trust split takes effect. In such a case, the provisions of Article 127-5 and Article 127-6 do not apply.

- (i) the issue of book-entry transfer beneficial interest that the beneficiaries of the split trust or of the previous trust will be delivered at the time of the split;
- (ii) the issue of book-entry transfer beneficial interest in the split trust or in the previous trust;
- (iii) the percentage of the total number referred to in sub-item (a) to the total number referred to in sub-item (b) (hereinafter referred to as the "allotment ratio" in this Article):

- (a) the total number of units of book-entry transfer beneficial interest referred to in item (i);
  - (b) the total number of units of book-entry transfer beneficial interest referred to in the preceding item.
  - (iv) the day on which the trust split takes effect;
  - (v) the account of the issuer of book-entry transfer beneficial interest referred to in item (i) (if there are two or more accounts, one of them);
  - (vi) information set forth in Article 127-4, paragraph (3), item (vii), which Cabinet Order prescribes as information that the issuer is able to learn;
  - (vii) the total number of units of book-entry transfer beneficial interest referred to in item (i), which will be newly created as a result of the split of the trust, and other information specified by order of the competent ministry.
- (2) If the notice referred to in the first sentence of the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in items (i) through (vi) of that paragraph regarding the issue of book-entry transfer beneficial interest which has been notified.
- (3) If the notice referred to in the first sentence of paragraph (1) has been given, the book-entry transfer institution that has been notified must make entries or records in the holdings or pledge column in which entries or records have been made for book-entry transfer beneficial interest referred to in item (ii) of that paragraph in the book-entry transfer account register that it keeps on the day when the trust split takes effect, of the increases in book-entry transfer beneficial interest referred to in item (i) of that paragraph in the number obtained when each number of units of book-entry transfer beneficial interest referred to in item (ii) of that paragraph for which an entry or record has been made in the holdings or pledge column is multiplied by the allotment ratio, and make entries or records of the information prescribed in item (vi) of that paragraph.
- (4) If the notice referred to in paragraph (2) (including as applied *mutatis mutandis* pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply *mutatis mutandis* to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the increase pursuant to the provisions of paragraph (3) (including as applied *mutatis mutandis* pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number less than one to be entered or recorded in the holdings or pledge column prescribed in paragraph (3), in lieu of making the entry or record that it is required to be made in that holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or

record as prescribed by Cabinet Order in the holdings or pledge column of a participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (v), and give necessary directions to its subordinate institution for making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with the directions.

(Procedures for Changing Entries or Records)

Article 127-15 If a book-entry transfer institution learns that there has been a change to the information set forth in one of the items of Article 127-4, paragraph (3), paragraph (4), or paragraph (5) in the book-entry transfer account register that it keeps, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book-Entry Transfers**

(Transfer of Book-Entry Transfer Beneficial Interest)

Article 127-16 A transfer of book-entry transfer beneficial interest does not take effect unless the transferee has had an entry or record made in the holdings column of its account (or in the column in which the information set forth in Article 127-4, paragraph (5), item (ii) is entered or recorded, for the institution-held account), based on an application for book-entry transfer, of the increase in the number of units of book-entry transfer beneficial interest subject to the transfer.

(Pledges of Book-Entry Transfer Beneficial Interest)

Article 127-17 A pledge of book-entry transfer beneficial interest does not take effect unless the pledgee has had an entry or record made in the pledge column of its account, based on an application for book-entry transfer, of the increase in the number of units of book-entry transfer beneficial interest subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Beneficial Interest That Comes Under Trust Property)

Article 127-18 (1) Unless an entry or record has been made for book-entry transfer beneficial interest in a book-entry transfer account register pursuant to the provisions of Article 127-4, paragraph (3), item (v), indicating the fact that the book-entry transfer beneficial interest comes under trust property, it is not permissible to assert against a third party that the book-entry transfer beneficial interest comes under trust property.

(2) An entry or record in a book-entry transfer account register prescribed in the

preceding paragraph is to be made pursuant to the provisions of Cabinet Order.

(Presumed Rights of Participants)

Article 127-19 A participant is presumed to be the lawful holder of the rights under a book-entry transfer beneficial interest that has been entered or recorded in their account (limited to their own account, if the account is that of an account management institution).

(Acquisition in Good Faith)

Article 127-20 A participant (including a book-entry transfer institution with an institution-held account) that has had an entry or record made in their account (limited to their own account, if the account is that of an account management institution), based on an application for book-entry transfer, of the increase in book-entry transfer beneficial interest of a particular issue acquires the rights associated with the entry or record of the increase in the book-entry transfer beneficial interest of that issue; provided, however that this does not apply if the participant has acted in bad faith or with gross negligence.

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

Article 127-21 (1) If the total number of units of book-entry transfer beneficial interest of the issue prescribed in the preceding Article which all beneficiaries hold based on acquisitions of book-entry transfer beneficial interest under the provisions of that Article comes to exceed the total number of units of book-entry transfer beneficial interest of that issue which have been issued (excluding the number of units of book-entry transfer beneficial interest whose associated beneficial claims have had their underlying obligations paid in full), and the aggregate number referred to in item (i) comes to exceed the total number referred to in item (ii), the book-entry transfer institution has a duty to acquire book-entry transfer beneficial interest in that issue until its holdings reach the number in overage (meaning the number obtained when the total number referred to in item (ii) is deducted from the aggregate number referred to in item (i)):

- (i) the aggregate number of units of book-entry transfer beneficial interest of that issue which have been entered or recorded in the accounts of participants of the book-entry transfer institution, in the book-entry transfer account register kept by that book-entry transfer institution;
- (ii) the total number of units of book-entry transfer beneficial interest of that issue (excluding the number of units of book-entry transfer beneficial interest whose associated beneficial claims have had their underlying obligations paid in full).

- (2) If there is any number prescribed in item (i) of the preceding paragraph for which an entry or record of the increase or reduction has been made in the account prescribed in that item, and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished, and it is proved that no one has acquired book-entry transfer beneficial interest pursuant to the provisions of the preceding Article in the number for which the entry or record has been made, that number is treated as if no entry or record was made.
- (3) When a book-entry transfer institution acquires book-entry transfer beneficial interest pursuant to the provisions of paragraph (1), it assumes the duty to immediately manifest the intention to release the issuer from all obligations related to that book-entry transfer beneficial interest to the issuer.
- (4) The rights under the book-entry transfer beneficial interest prescribed in the preceding paragraph are extinguished when an intention to release the obligations is manifested pursuant to that paragraph.
- (5) When a book-entry transfer institution manifests the intention to release the obligations pursuant to the provisions of paragraph (3) with respect to book-entry transfer beneficial interest, it must immediately make deletions for the book-entry transfer beneficial interest in the book-entry transfer account register.

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

- Article 127-22 (1) In the case prescribed in paragraph (1) of the preceding Article, if there is an account management institution for which the aggregate number referred to in item (i) comes to exceed the number referred to in item (ii), the account management institution assumes the duty to manifest the intention to the issuer to release the issuer from all obligations related to book-entry transfer beneficial interest of that issue in the number equal to the overage (meaning the number obtained when the number referred to in item (ii) is deducted from the aggregate number referred to in item (i)):
- (i) the aggregate number of units of book-entry transfer beneficial interest of the issue which have been entered or recorded in the accounts of the participants of the account management institution, in the book-entry transfer account register kept by that account management institution;
  - (ii) the number of units of book-entry transfer beneficial interest of the issue which have been entered or recorded in the customer account under the account of the account management institution, in the book-entry transfer account register kept by its immediately superior institution.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the following information:



- (i) the number prescribed in item (i) of the preceding paragraph; and
  - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record of the increase or reduction has been made in the customer account prescribed in that item and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished.
- (3) In the case referred to in paragraph (1), if the account management institution does not hold book-entry transfer beneficial interest of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it has the duty to acquire book-entry transfer beneficial interest in that issue until its holdings reach the number in overage, before manifesting the intention to release the obligations as under the provisions of that paragraph.
- (4) When an account management institution manifests the intention to release the obligations pursuant to the provisions of paragraph (1), it must immediately notify its immediately superior institution of the following particulars:
- (i) the fact that it has manifested the intention to release the obligations; and
  - (ii) the issue and the number of units of book-entry transfer beneficial interest for which it has manifested the intention to release the obligations.
- (5) When the immediately superior institution referred to in the preceding paragraph receives the notice referred to in the preceding paragraph, it must immediately make the following entries or records regarding book-entry transfer beneficial interest set forth in item (ii) of that paragraph, in the book-entry transfer account register that it keeps:
- (i) an entry or record in the account of the account management institution referred to in that paragraph in the institution's own account, of the reduction in the number referred to in item (ii) of the preceding paragraph; and
  - (ii) an entry or record in the customer account under the account referred to in the preceding item, of the increase in the number referred to in item (ii) of the preceding paragraph.

(Handling in the Case of Non-Performance of Obligations by a Book-Entry Transfer Institution Concerning Entries or Records of Overages)

Article 127-23 (1) In the case prescribed in Article 127-21, paragraph (1), until the book-entry transfer institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a beneficiary may not assert an interest against the issuer regarding the part of the book-entry transfer beneficial interest of the issue that the beneficiary holds which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to

in item (ii) is multiplied by the number in overage prescribed in paragraph (1) of that Article (or the number obtained by deducting the number related to the performance of obligation, if the obligation referred to in paragraph (3) of that Article has been partially performed) (hereinafter referred to as the "maximum number ascribable to the book-entry transfer institution" in the following paragraph):

- (i) the number of units of book-entry transfer beneficial interest of that issue that the beneficiary holds (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to release the obligations with respect to book-entry transfer beneficial interest of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number obtained by deducting the maximum number ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that beneficiary for the subordinate institution (limited to the beneficiary of book-entry transfer beneficial interest that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
  - (ii) the total number of units of book-entry transfer beneficial interest of that issue that all beneficiaries hold (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to release the obligations with respect to book-entry transfer beneficial interest of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the beneficiaries of book-entry transfer beneficial interest that has been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution ).
- (2) In the case prescribed in Article 127-21, paragraph (1), the book-entry transfer institution prescribed in that paragraph assumes the following duties toward each beneficiary:
- (i) in the case referred to in the preceding paragraph, the duty to pay, in lieu of the issuer, the obligation underlying the beneficial claim associated with the book-entry transfer beneficial interest of the issue that each beneficiary holds, up to the maximum number ascribable to the book-entry transfer institution; and
  - (ii) beyond what is set forth in the preceding item, the duty to indemnify the beneficiary for any damage caused by the non-performance of obligations referred to in Article 127-21, paragraph (1) or (3).

(Handling in the Case of Non-Performance of Obligations by Account

Management Institutions Concerning Entries or Records of Overages)

Article 127-24 (1) In the case prescribed in Article 127-22, paragraph (1), until the account management institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a beneficiary (limited to the beneficiary of a book-entry transfer beneficial interest that has been entered or recorded in an account opened by that account management institution or by its subordinate institution) may not assert an interest against the issuer regarding the part of the book-entry transfer beneficial interest of the issue that the beneficiary holds which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to in item (ii) is multiplied by the number in overage prescribed in paragraph (1) of that Article (or by the number obtained related to the performance of the obligation if the obligation referred to in that paragraph has been partially performed) (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article):

- (i) the number of units of book-entry transfer beneficial interest of the issue that the beneficiary holds (or, if the account management institution has a subordinate institution that is required to manifest an intention to the release of obligations with respect to book-entry transfer beneficial interest of that issue pursuant to the provisions of Article 127-22, paragraph (1), the number obtained by deducting the maximum number ascribable to the account management institution, for the overage prescribed in that paragraph in respect of that beneficiary (limited to the beneficiary of a book-entry transfer beneficial interest that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution) for the subordinate institution);
- (ii) the total number of units of book-entry transfer beneficial interest of the issue held by all of the beneficiaries with a book-entry transfer beneficial interest that have been entered or recorded in accounts opened by that account management institution or by its subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest the intention to release the obligations with respect to book-entry transfer beneficial interest of that issue pursuant to the provisions of paragraph (1) of Article 127-22, the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution, for the overage prescribed in that paragraph in respect of all of the beneficiaries of book-entry transfer beneficial interest that has been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the subordinate institution).

- (2) In the case prescribed in Article 127-22, paragraph (1), the account management institution prescribed in that paragraph assumes the following duties toward a beneficiary prescribed in the preceding paragraph:
- (i) in the case referred to in the preceding paragraph, the duty to pay, in lieu of the issuer, the obligation underlying the beneficial claim associated with the part of the book-entry transfer beneficial interest of the issue that a beneficiary prescribed the preceding paragraph holds, up to the maximum number ascribable to the account management institution; and
  - (ii) beyond what is set forth in the preceding item, the duty to indemnify the beneficiary for any damage caused by the non-performance of obligations referred to in Article 127-22, paragraph (1) or (3).

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

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

- (2) In the case referred to in the preceding paragraph, a beneficiary does not assume the duty to return to the issuer the amount of the obligation paid as prescribed in that paragraph.
- (3) If an issuer pays the obligation prescribed in paragraph (1), they acquire the rights of a beneficiary as under Article 127-23, paragraph (2), item (i), or paragraph (2), item (i) of the preceding Article toward the book-entry transfer institution or account management institution, to the extent of the amount prescribed in the preceding paragraph.

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

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

Article 127-26 A beneficial interest register that is for book-entry transfer beneficial interest must enter or record the fact indicating that this Act applies to that book-entry transfer beneficial interest.

(Presentation of Certificates)

Article 127-27 (1) In order to exercise a beneficial interest (excluding the exercise of a beneficial claim), a beneficiary of a book-entry transfer beneficial interest must, after having been issued a document pursuant to the provisions of the

- main clause of paragraph (3), present that document to the issuer.
- (2) In order to exercise their voting rights at a beneficiaries meeting, the beneficiary of a book-entry transfer beneficial interest must present the document prescribed in the preceding paragraph by one week prior to the date of the beneficiaries meeting, and also present it on the day of the meeting.
  - (3) A beneficiary of book-entry transfer beneficial interest may demand that their immediately superior institution issue a document certifying the information set forth in the items of Article 127-4, paragraph (3) with regard to book-entry transfer beneficial interest entered or recorded under their own account in the book-entry transfer account register kept by its immediately superior institution (excluding the information specified by order of the competent ministry); provided, however, that this does not apply to a person that has already been issued a document under this paragraph with regard to that book-entry transfer beneficial interest, and that has not returned that document to their immediately superior institution.
  - (4) A beneficiary that has been issued a document pursuant to the provisions of the main clause of the preceding paragraph may not file an application for a book-entry transfer or a deletion with respect to the book-entry transfer beneficial interest certified by the document until the beneficiary returns the document to the immediately superior institution referred to in that paragraph.

(Special Provisions of the Trust Act on the Demand to Purchase Beneficial Interest)

Article 127-28 If a beneficiary of book-entry transfer beneficial interest demands the purchase of its rights on the book-entry transfer beneficial interest pursuant to the provisions of Article 103, paragraph (1) or (2) of the Trust Act, the issuer may request that, in exchange for paying for the book-entry transfer beneficial interest, the beneficiary file an application with its immediately superior institution to make book entries for the book-entry transfer beneficial interest using the issuer's account as the transferee account.

(Special Provisions of the Trust Act on Merger of Trusts)

- Article 127-29 (1) If a beneficial interest that is required to be extinguished in a merger of trusts is not a book-entry transfer beneficial interest and the trustee seeks to deliver book-entry transfer beneficial interest to a beneficiary at the time of the merger, the trustee must give the notice referred to in Article 127-6, paragraph (1), item (i) by using the day on which the merger of trusts takes effect as the fixed date referred to in that item.
- (2) If a beneficial interest that is required to be extinguished in a merger of trusts is a book-entry transfer beneficial interest and the trustee seeks to deliver beneficiary interest that is not a book-entry transfer beneficial interest

at the time of the merger, the trustee must give a notice on the deletion of all entries or records by using the day on which the merger of trusts takes effect as the date referred to in Article 127-10, paragraph (1), item (ii).

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

Article 127-30 In applying the provisions of the Trust Act that concern book-entry transfer beneficial interest, book-entry transfer beneficial interest is deemed to be a beneficial interest in a trust with certificates of beneficiary interest.

(Exclusion from Application)

Article 127-31 The provisions of Article 186, items (iii) and (iv), Article 189, Article 194, Article 195, paragraph (1), Article 197, paragraphs (1) through (3), Article 198, paragraphs (1) and (2), Article 199, Article 200, paragraph (1), and Article 201, paragraph (1) do not apply to book-entry transfer beneficial interest.

## **Section 5 Miscellaneous Provisions**

Article 127-32 (1) If the notice referred to in Article 127-5, paragraph (1) has been given, the book-entry transfer institution that has been notified must immediately take measures that enable the participants to learn the information set forth in item (vii) of that paragraph concerning the issue of book-entry transfer beneficial interest related to the notice by the means prescribed by Cabinet Order.

(2) The expenses incurred for the measures referred to in the preceding paragraph are paid out of the trust property associated with the book-entry transfer beneficial interest referred to in that paragraph.

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

### **Section 1 General Rules**

Article 128 (1) The attribution of rights under a share (excluding a share with restriction on transfer) in a company that does not have provisions on the issuance of share certificates in its articles of incorporation, which is handled by a book-entry transfer institution (hereinafter referred to as a "book-entry transfer share"), is determined by the entries or records in a book-entry transfer account register as under the provisions of this Chapter.

(2) The issuer must act with the consent of all of the incorporators or in accordance with the resolution at a board of directors meeting to give the

consent referred to in Article 13, paragraph (1) for their shares.

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

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

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

(2) The account of an account management institution in a book-entry transfer account register is subdivided as follows:

(i) an account in which entries or records are made for book-entry transfer shares under which the account management institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter); and

(ii) an account in which entries or records are made for book-entry transfer shares under which the participants of the account management institution or its subordinate institution hold rights (hereinafter referred to as a "customer account" in this Chapter).

(3) Entries or records of the following information are to be made for each account (excluding a customer account) in a book-entry transfer account register:

(i) the name and address of the participant;

(ii) the issuer's trade name and the class of book-entry transfer shares, if the issuer is a company with class shares (hereinafter referred to as the "issue" in this Chapter);

(iii) the number of book-entry transfer shares by issue (other than those set forth in the following item);

(iv) if the participant is a pledgee, that fact, the number of book-entry transfer shares underlying the pledge by issue, the number of book-entry transfer shares underlying the pledge by issue for each shareholder, and the names and addresses of those shareholders;

(v) if the participant is the trustee of a trust, that fact and the number of book-entry transfer shares referred to in the preceding two items which constitute trust property;

(vi) if an entry or record has been made of the increase or reduction in the number referred to in item (iii) or (iv), whether it is an increase or a reduction, the number of the increases or reductions, and the date on which the entry or record was made; and

(vii) other information specified by Cabinet Order.

(4) Entries or records of the following information are to be made in the customer account in a book-entry transfer account register:

- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the number of book-entry transfer shares, by issue; and
  - (iii) other information specified by Cabinet Order.
- (5) If a book-entry transfer institution opens an institution-held account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the number of book-entry transfer shares, by issue; and
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one specified by order of the competent ministry).

(New Entries or Records to be Made upon Issuance of Book-Entry Transfer Shares)

Article 130 (1) The issuer of book-entry transfer shares of a particular issue must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information after the date on which it issues those book-entry transfer shares (or after the day on which it gives the consent referred to in Article 13, paragraph (1), if the issuer gives that consent with regard to their shares after the incorporation of the company (hereinafter referred to as "consent after incorporation" in this paragraph)), without delay:

- (i) the issue of the book-entry transfer shares that they have issued or for which they have given consent after incorporation;
- (ii) the names of the participants that are the holders and the registered pledgees (meaning a registered pledgee of shares prescribed in Article 152, paragraph (1) of the Companies Act; the same applies hereinafter) of the book-entry transfer shares referred to in the preceding item;
- (iii) the accounts opened for the participants referred to in the preceding item in which book entries are to be made for the book-entry transfer shares referred to in item (i);
- (iv) the number of book-entry transfer shares referred to in item (i) for each participant (other than those set forth in the following item);
- (v) if the participant is a registered pledgee of shares, that fact, the number of book-entry transfer shares referred to in item (i) underlying the pledge for each participant, and the number of those shares for each shareholder;
- (vi) the names and addresses of the shareholders referred to in the preceding item;
- (vii) if the participant is the trustee of a trust, that fact and the number of book-entry transfer shares referred to in items (iv) and (v) which constitute trust property;



- (viii) information set forth in paragraph (3), item (vii) of the preceding Article, which Cabinet Order prescribes as information that the issuer is able to learn; and
  - (ix) the total number of book-entry transfer shares referred to in item (i) and other information specified by order of the competent ministry.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately take the following measures for the issue of book-entry transfer shares which has been notified:
- (i) make the following entries or records, if the book-entry transfer institution is the one that opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or record of the increase in the number referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph (limited to one that is a shareholder referred to in that item), in the column of the account in which the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
    - (b) an entry or record of the increase in the number of book-entry transfer shares referred to in item (v) of the preceding paragraph and the number of those shares for each shareholder, for a participant referred to in item (ii) of that paragraph (limited to one that is a registered pledgee of shares referred to in that item), in the column of the account in which the information set forth in paragraph (3), item (iv) of the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
    - (c) an entry or record in the pledge column of the account of the information referred to in item (vi) of the preceding paragraph;
    - (d) an entry or record in the account of the increase in the number of book-entry transfer shares constituting trust property referred to in item (vii) of the preceding paragraph; and
    - (e) an entry or record in the account of the information set forth in item (viii) of the preceding paragraph;
  - (ii) make an entry or record of the increase in the sum of the number referred to in item (iv) of the preceding paragraph and the number of book-entry transfer shares referred to in item (v) of that paragraph for a participant referred to in item (ii) of that paragraph, in the customer account under the account of the superior institution of the participant that is the immediately subordinate institution of the book-entry transfer institution, and notify the immediately subordinate institution of the information set forth in items (i) through (viii) of that paragraph, if the book-entry transfer institution is not

the one that opened the account referred to item (iii) of the preceding paragraph.

- (3) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account management institution that has received the notice.

(Procedures If a Company is Unable to Identify the Account of a Shareholder)

Article 131 (1) If a company seeks to deliver book-entry transfer shares of a particular issue and is unable to identify the account that has been opened for the holder or registered pledgee of the book-entry transfer shares it seeks to deliver in which book entries are to be made for book-entry transfer shares, the company (or the person specified by order of the competent ministry as being equivalent to the company, if the company is to deliver book-entry transfer shares at the time of a consolidation-type merger or in any other case specified by order of the competent ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that order of the competent ministry prescribes as the person that is to become the holder or registered pledgee of those book-entry transfer shares of the following information, by one month prior to the fixed date referred to in item (i):

- (i) the fact that the company will give the notice referred to in paragraph (1) of the preceding Article or file an application for a book-entry transfer for the holder of the book-entry transfer shares (excluding the holder of shares underlying a pledge, if there is a registered pledgee of shares) or registered pledgee of the book-entry transfer shares on a fixed date;
  - (ii) the fact that the notice of the account opened for the shareholder or registered pledgee of shares referred to in the preceding item (excluding an account opened by a book-entry transfer institution or account management institution based on a request referred to in the main clause of paragraph (3)) in which book entries are to be made for the book-entry transfer shares is required to be given to the notifier by the fixed date referred to in that item;
  - (iii) the name and address of the book-entry transfer institution or account management institution that opens accounts based on requests referred to in the main clause of paragraph (3); and
  - (iv) other information specified by order of the competent ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than the company referred to in that paragraph, the notifier must notify the company on the fixed date referred to in item (i) of that paragraph, of the account referred to in item (ii) of that paragraph which has been notified by the shareholder or registered pledgee of shares referred to in that item.
- (3) If the shareholder or registered pledgee of shares referred to in paragraph (1),

item (i) has not given the notifier the notice of the account referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the company must request the book-entry transfer institution or account management institution referred to in item (iii) of that paragraph to open an account for the shareholder or registered pledgee of shares in which book entries are to be made for the book-entry transfer shares (hereinafter referred to as a "special account" in this Chapter); provided, however, that this does not apply if there is a special account that the company has requested be opened for the shareholder or registered pledgee of shares.

- (4) If a company is the issuer of shares that constitute book-entry transfer shares referred to in paragraph (1) and the company has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in item (i) of that paragraph, it must promptly give the consent referred to in that paragraph to the book-entry transfer institution with respect to those shares.
- (5) In the case prescribed in paragraph (1), when the company gives the notice referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) notified by the shareholder or registered pledgee of shares referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.

#### (Making Book Entry Transfers)

Article 132 (1) If an application for a book-entry transfer involving book-entry transfer shares of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (8) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction or increase in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction or increase.

- (2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is an application that the participant files with its immediately superior institution for whom the reduction is entered or recorded in their account (excluding a customer account) by the book-entry transfer.
- (3) A person filing the application referred to in paragraph (1) must indicate the following information in that application:
  - (i) the issue and the number of book-entry transfer shares for which the reduction and increase are required to be entered or recorded when the book-entry transfer is made;
  - (ii) whether the reduction is to be entered or recorded in the holdings column or the pledge column of the account of the participant referred to in the preceding paragraph;

- (iii) the names and addresses of the holders of book-entry transfer shares for which entries or records is required to be made, and the number of book-entry transfer shares that is referred to in item (i) (hereinafter referred to as the "number subject to book-entry transfer" in this Article), if the reduction is to be entered or recorded in the pledge column of the account referred to in the preceding item;
  - (iv) the account in which the entry or record of the increase is required to be made (excluding a customer account; hereinafter referred to as the "transferee account" in this Chapter);
  - (v) whether the increase is to be entered or recorded in the holdings column or the pledge column of the transferee account (excluding an institution-held account);
  - (vi) the number subject to book-entry transfer for each of the shareholders and the names and addresses of those shareholders, if the increase is to be entered or recorded in the pledge column of the transferee account (excluding an institution-held account).
- (4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
- (i) make the following entries or records in the holdings column or pledge column of the account of the participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph:
    - (a) an entry or record of the reduction in the number subject to book-entry transfer;
    - (b) an entry or record of the reduction in the number of book-entry transfer shares for each shareholder referred to in item (iii) of the preceding paragraph, if the entry or record of the reduction referred to in sub-item (a) is to be made in the pledge column.
  - (ii) notify the immediately superior institution of the information indicated pursuant to the provisions of item (i) and items (iv) through (vi) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the holdings column or the pledge column of the transferee account indicated pursuant to the provisions of item (v) of the preceding paragraph (or in the column in which the information set forth in Article 129, paragraph (5), item (ii) is entered or recorded, for an institution-held account; hereinafter referred to as the "transferee column"), if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the

- one that has opened the transferee account;
  - (iv) in the case referred to in the preceding item, to make the following entries or records in the pledge column, if the transferee column is the pledge column:
    - (a) an entry or record of the increase in the number of book-entry transfer shares for each shareholder referred to in item (vi) of the preceding paragraph;
    - (b) an entry or record of the names and addresses of the shareholders;
  - (v) make an entry or record of the increase in the number subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information indicated pursuant to the provisions of item (i) and items (iv) through (vi) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the reduction in the number subject to book-entry transfer in the customer account under the account of the account management institution that has given the notice;
  - (ii) notify the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) in the case referred to in the preceding item, to make the entries or records set forth in item (iv), sub-items (a) and (b) of the preceding paragraph in the pledge column, if the transferee column is the pledge column;
  - (v) make an entry or record of the increase in the number subject to book-entry transfer, in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant

with that transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.

- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (7) If the notice referred to in paragraph (4), item (v) or paragraph (5), item (v) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) has been given, the account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the account management institution is the one that opened the transferee account;
  - (ii) in the case referred to in the preceding item, to make entries or records set forth in paragraph (4), item (iv), sub-items (a) and (b) in the pledge column, if the transferee column is the pledge column; and
  - (iii) make an entry or record showing the increase in the number subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of paragraph (4), item (v) or paragraph (5), item (v), if the account management institution is not the one that opened the transferee account.
- (8) The provisions of the preceding paragraph apply mutatis mutandis to an account management institution that received the notice referred to in item (iii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

(Special Provisions on Book Entry Transfer Procedures for Book-Entry

Transfer Shares That Have Been Entered or Recorded in a Special Account)

Article 133 (1) A participant may not file an application for a book-entry transfer involving a book-entry transfer share that has been entered or recorded in a special account, if the transferee account is other than that of the participant or of the issuer of the book-entry transfer share.

- (2) If, before the notice referred to in Article 130, paragraph (1) is given, or an

application for a book-entry transfer involving book-entry transfer shares of a particular issue is filed, a person that acquired shares of a particular issue before they became book-entry transfer shares, and for which no entry or record has been made in the shareholder register, or any other person specified by order of the competent ministry (hereinafter referred to as the "acquirer or other such person" in this Article) files a joint request together with the participant with the special account in which the book-entry transfer shares have been entered or recorded, after giving the notice or filing the application, the issuer must take the following actions. The same applies if the acquirer or other such person files a request by attaching an authenticated copy or certified copy of an enforceable judgment that orders the participant to file the request or by attaching any other document specified by order of the competent ministry as being equivalent to the copy, or in cases prescribed by order of the competent ministry as those that are unlikely to harm the interests of the participant and other interested persons even if the issuer takes the following actions upon the request by the acquirer or other such person.

- (i) filing a request referred to in the main clause of Article 131, paragraph (3) for the acquirer or other such person; and
  - (ii) filing an application for the book-entry transfer of those book-entry transfer shares in the transferee account that has been opened upon the request referred to in the preceding item.
- (3) A participant other than the issuer that has requested for a special account to be opened may not apply for a book-entry transfer with the special account as the transferee account.

#### (Transfer of Special Accounts)

Article 133-2 (1) The issuer of book-entry transfer shares that have been entered or recorded in a special account may request a book-entry transfer institution or account management institution other than the book-entry transfer institution or account management institution that has opened the special account (referred to as the "pre-transfer book-entry transfer institution or account management institution" in the following paragraph and paragraph (3)) to open a special account in which book entries are to be made for the book-entry transfer shares for the participants with the former special account.

- (2) The request referred to in the preceding paragraph must be filed collectively for all participants with the special account opened by the pre-transfer book-entry transfer institution or account management institution in which book entries are to be made for the book-entry transfer shares (referred to as the "pre-transfer special account" in the following paragraph and paragraph (4)); provided, however, that this does not apply to a participant in cases in which the special account that the issuer referred to in the preceding paragraph has

requested to be opened for the participant exists at the book-entry transfer institution or account management institution to which the request referred to in that paragraph has been filed.

- (3) The issuer referred to in paragraph (1) may file an application with the pre-transfer book-entry transfer institution or account management institution for a book-entry transfer, using the post-transfer special account (meaning the special account opened upon the request referred to in that paragraph or the special account referred to in the proviso to the preceding paragraph; the same applies in the following paragraph) as the transferee account, with regard to all book-entry transfer shares entered or recorded in the pre-transfer special account.
- (4) If the issuer referred to in paragraph (1) files an application referred to in the preceding paragraph, they must, without delay, notify the participants with the pre-transfer special account of the name and address of the book-entry transfer institution or account management institution that has opened the post-transfer special account.

#### (Making Deletions)

- Article 134 (1) If an application for the deletion of a book-entry transfer share of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.
- (2) The application referred to in the preceding paragraph is an application that the issuer is to file with the immediately superior institution with which it has opened the account (excluding a customer account) in which the reduction is to be entered or recorded as a result of the deletion.
  - (3) In the application referred to in paragraph (1), the issuer must indicate the issue and the number of book-entry transfer shares for which an entry or record of the reduction is required to be made as a result of the deletion.
  - (4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
    - (i) make an entry or record of the reduction in the number prescribed in the preceding paragraph in the holdings column of the issuer's account; and
    - (ii) notify the immediately superior institution of the information indicated pursuant to the provisions of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
  - (5) If the notice referred to in item (ii) of the preceding paragraph has been given,



the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:

- (i) make an entry or record of the reduction in the number referred to in paragraph (3) in the customer account under the account of the account management institution that has given the notice; and
  - (ii) notify the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply *mutatis mutandis* to a book-entry transfer institution or account management institution that received the notice referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), if the notice has been given.

(Deleting All Entries or Records)

Article 135 (1) The issuer of book-entry transfer shares of a particular issue must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the date referred to in item (ii), when seeking to delete all of the entries or records regarding those book-entry transfer shares:

- (i) the issue of book-entry transfer shares; and
  - (ii) the date on which the deletion of all entries or records regarding those book-entry transfer shares are to be made.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer shares which has been notified.
- (3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must delete the entries or records for all book-entry transfer shares referred to in item (i) of that paragraph from the accounts in the book-entry transfer account register that it keeps on the day referred to in item (ii) of that paragraph, in which entries or records have been made for the book-entry transfer shares (for accounts other than the institution-held account or a customer account, meaning the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter).
- (4) If the notice referred to in paragraph (2) (including as applied *mutatis mutandis* pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply *mutatis mutandis* to the account management institution that has received the notice.

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

Article 136 (1) When seeking to merge the book-entry transfer shares of a particular issue, its issuer must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the date referred to in item (iii):

- (i) the issue of book-entry transfer shares subject to the merger of shares;
  - (ii) the percentage obtained when the percentage of the total issued number referred to in sub-item (a) to the total issued number referred to in sub-item (b) represents is deducted from one (hereinafter referred to as the "reduction ratio" in this Article):
    - (a) the total issued number of book-entry transfer shares after the merger of shares;
    - (b) the total issued number of book-entry transfer shares before the merger of shares;
  - (iii) the day on which the merger of shares takes effect;
  - (iv) the issuer's account (if there are two or more accounts, one of them).
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer shares which has been notified.
- (3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must make entries or records in the holdings or pledge column in which entries or records have been made for book-entry transfer shares referred to in item (i) of that paragraph in the book-entry transfer account register that it keeps on the day referred to in item (iii) of that paragraph, of the reductions in the numbers obtained when each number that has been entered or recorded in a holdings or pledge column is multiplied by the reduction ratio.
- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the reduction pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number of less than one to be entered or recorded in a holdings or pledge column prescribed paragraph (3), in lieu of the entry or record that it is

required to be made for that holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or record prescribed by Cabinet Order in the holdings or pledge column of a participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and give necessary instructions to its subordinate institution for making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with the instructions.

(Making Entries or Records for the Split of Book-Entry Transfers)

- Article 137 (1) When seeking to split the book-entry transfer shares of a particular issue, its issuer must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the day on which the share split takes effect:
- (i) the issue of book-entry transfer shares subject to the split;
  - (ii) the percentage of the total number referred to in sub-item (a) to the total issued number referred to in sub-item (b) (hereinafter referred to as the "increase ratio" in this Article):
    - (a) the total number of book-entry transfer shares that the shareholders are to receive as a result of the share split;
    - (b) the total issued number of book-entry transfer shares before the share split.
  - (iii) the record date for the share split (meaning the record date prescribed in Article 124, paragraph (1) of the Companies Act; hereinafter the same applies in this Chapter) and the day on which the share split takes effect;
  - (iv) the issuer's account (if there are two or more accounts, one of them).
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of the book-entry transfer shares which has been notified.
- (3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must make entries or records in the holdings or pledge column in which entries or records have been made for book-entry transfer shares referred to in item (i) of that paragraph on the record date referred to in item (iii) of that paragraph in the book-entry transfer account register that it keeps on the day when the share split takes effect, of the increases in the numbers obtained when each number that have been entered or recorded in a holdings or pledge column is multiplied by the increase ratio.

- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number of less than one to be recorded or entered in a holdings or pledge column prescribed paragraph (3), in lieu of making the entry or record that is required to be made for that holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or record prescribed by Cabinet Order in the holdings or pledge column of a participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and give necessary instructions to its subordinate institution for making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with the instructions.

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

Article 138 (1) If the shares of a company disappearing in a merger or of a company conducting a share exchange or share transfer (hereinafter referred to as a "disappearing company or wholly owned company" in this Chapter through Chapter IX) are book-entry transfer shares, and the surviving company or wholly owning company, or incorporated company or wholly owning company seeks to deliver book-entry transfer shares at the time of the absorption-type merger or share exchange, or at the time of the consolidation-type merger or share transfer, the disappearing company or wholly owned company must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the effective date of merger or date of incorporation. In such a case, the provisions of Article 130 and Article 131 do not apply:

- (i) the issue of book-entry transfer shares that shareholders holding book-entry transfer shares in the disappearing company or wholly owned company will be delivered at the time of the absorption-type merger or share exchange, or at the time of the consolidation-type merger or share transfer;
- (ii) the issue of book-entry transfer shares in the disappearing company or wholly owned company;
- (iii) the percentage of the total number referred to in sub-item (a) to the total issued number referred to in sub-item (b) (hereinafter referred to as the

- "allotment ratio" in this Article):
- (a) the total number of book-entry transfer shares referred to in item (i);
  - (b) the total issued number of book-entry transfer shares referred to in the preceding item;
  - (iv) the effective date of merger or date of incorporation;
  - (v) the account of the issuer of the book-entry transfer shares referred to in item (i) (if there are two or more accounts, one of them);
  - (vi) information set forth in Article 129, paragraph (3), item (vii), which Cabinet Order prescribes as information that the issuer is able to learn; and
  - (vii) the total number of book-entry transfer shares referred to in item (i), which are subject to issuance, and other information specified by order of the competent ministry.
- (2) If the notice referred to in the first sentence of the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in items (i) through (vi) of that paragraph regarding the issue of book-entry transfer shares which has been notified.
- (3) If the notice referred to in the first sentence of paragraph (1) has been given, the book-entry transfer institution that has been notified must take the following measures in the holdings and pledge columns in which entries or records have been made for book-entry transfer shares referred to in item (ii) of that paragraph in the book-entry transfer account register that it keeps, on the effective date of merger or date of incorporation:
- (i) make entries or records of the increases in book-entry transfer shares referred to in paragraph (1), item (i) for the numbers obtained when each number of book-entry transfer shares referred to in item (ii) of that paragraph for which an entry or record has been made in the holdings or pledge column is multiplied by the allotment ratio, and make entries or records of the information set forth in item (vi) of that paragraph; and
  - (ii) delete the entries or records for all book-entry transfer shares referred to in paragraph (1), item (ii).
- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number less than one to be entered or recorded in a holdings or pledge column prescribed paragraph (3), in lieu of making the entry or record that is

required to be made in that holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or record prescribed by Cabinet Order in the holdings or pledge column of a participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (v), and give necessary instructions to its subordinate institution for the making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with the instructions.

- (6) If the surviving company or wholly owning company referred to in the first sentence of paragraph (1) seeks to transfer its own book-entry transfer shares at the time of the absorption-type merger or share exchange, it must file an application for the deletion of those book-entry transfer shares on the effective date of merger or date of incorporation. In such a case, notwithstanding the provisions of Article 140, the book-entry transfer shares are deemed to have been transferred to the shareholder of the disappearing company or wholly owned company referred to in the first sentence of paragraph (1) at the time that the entry or record is made for the reduction referred to in Article 134, paragraph (4), item (i) based on the application.

(Procedures for Changing Entries or Records)

Article 139 If a book-entry transfer institution or account management institution learns that there has been a change to the information set forth in one of the items of Article 129, paragraph (3), paragraph (4), or paragraph (5) in the book-entry transfer account register that it keeps, it must immediately enter or record the change in the book-entry transfer account register.

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

(Transfer of Book-Entry Transfer Shares)

Article 140 A transfer of book-entry transfer shares does not take effect unless the transferee has had an entry or record made in the holdings column of their account (or in the column in which the information set forth in Article 129, paragraph (5), item (ii) is entered or recorded, for the institution-held account), based on an application for book-entry transfer, of the increase in the number of book-entry transfer shares subject to the transfer.

(Pledge of Book-Entry Transfer Shares)

Article 141 A pledge of book-entry transfer shares does not take effect unless the pledgee has had an entry or record made in the pledge column of their account, based on an application for book-entry transfer, of the increase in the number of book-entry transfer shares subject to the pledge.

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

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

(Presumed Rights of Participants)

- Article 143 A participant is presumed to be the lawful holder of the rights under a book-entry transfer share that has been entered or recorded in their account (excluding the purchase account prescribed in Article 155, paragraph (1); limited to their own account, if the account is that of an account management institution).

(Acquisition in Good Faith)

- Article 144 A participant (or a book-entry transfer institution with an institution-held account) that has had an entry or record made in their account (limited to their own account, if the account is that of an account management institution), based on an application for book-entry transfer, of the increase in book-entry transfer shares of a particular issue acquires the rights associated with the entry or record of the increase in the book-entry transfer shares of that issue; provided, however that this does not apply if the participant has acted in bad faith or with gross negligence.

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

- Article 145 (1) If the total number of book-entry transfer shares of the issue prescribed in the preceding Article which all shareholders hold based on acquisitions of book-entry transfer shares under that Article comes to exceed the total issued number of book-entry transfer shares of that issue (excluding the number of cancelled book-entry transfer shares), and the aggregate number referred to in item (i) exceeds the total issued number referred to in item (ii), the book-entry transfer institution assumes the obligation to acquire book-entry transfer shares in that issue until its holdings reach the number in overage (meaning the number obtained by deducting the total issued number referred to in item (ii) from the aggregate number referred to in item (i)):
- (i) the aggregate number of book-entry transfer shares of the issue which have

been entered or recorded in the accounts of the participants of the book-entry transfer institution, in the book-entry transfer account register kept by that book-entry transfer institution;

- (ii) the total issued number of book-entry transfer shares of that issue (excluding the number of cancelled book-entry transfer shares and book-entry transfer shares for which the issuer may not give the notice referred to in Article 159, paragraph (1), pursuant to that Article.)
- (2) If there is any number prescribed in item (i) of the preceding paragraph for which an entry or record of the increase or reduction has been made in an account prescribed in that item, and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished, and it is proved that no one has acquired book-entry transfer shares pursuant to the provisions of the preceding Article in the number for which the entry or record has been made, that number is treated as if no entry or record was made.
- (3) If a book-entry transfer institution acquires book-entry transfer shares pursuant to the provisions of paragraph (1), it assumes the duty to immediately manifest the intention to renounce all rights to those book-entry transfer shares to the issuer.
- (4) The rights under the book-entry transfer shares prescribed in the preceding paragraph are extinguished when the intention to renounce the rights is manifested pursuant to the provisions of that paragraph.
- (5) If a book-entry transfer institution manifests the intention to renounce the rights pursuant to the provisions of paragraph (3) with respect to book-entry transfer shares, it must immediately make deletions for those book-entry transfer shares in the book-entry transfer account register.
- (6) If the issuer of book-entry transfer shares of the issue referred to in paragraph (1) disposes of their own shares in order to have the book-entry transfer institution acquire book-entry transfer shares pursuant to the provisions of that paragraph, the provisions of Part II, Chapter II, Section 8 of the Companies Act do not apply. In such a case, the shares must be disposed of at a fair value.

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

Article 146 (1) In the case prescribed in paragraph (1) of the preceding Article, if there is an account management institution for which the total number referred to in item (i) comes to exceed the number referred to in item (ii), the account management institution has obligation to manifest the intention to renounce all rights to the book-entry transfer shares of that issue in a number equal to the overage (meaning the number obtained by deducting the number



referred to in item (ii) from the aggregate number referred to in item (i) to the issuer:

- (i) the aggregate number of book-entry transfer shares of the issue which have been entered or recorded in the accounts of the participants of the account management institution, in the book-entry transfer account register kept by that account management institution;
  - (ii) the number of book-entry transfer shares of the issue which have been entered or recorded in the customer account under the account of the account management institution, in the book-entry transfer account register kept by its immediately superior institution.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the following information:
- (i) the number prescribed in item (i) of the preceding paragraph; and
  - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record of the increase or reduction has been made in the customer account prescribed in that item and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished.
- (3) In the case referred to in paragraph (1), if an account management institution does not hold book-entry transfer shares of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it assumes the obligation to acquire book-entry transfer shares in that issue until its holdings reach the amount of the overage, before manifesting the intention to renounce the rights pursuant to the provisions of that paragraph.
- (4) If an account management institution has manifested the intention to renounce the rights pursuant to the provisions of paragraph (1), it must immediately notify its immediately superior institution of the following information:
- (i) the fact that it has manifested the intention to renounce the rights; and
  - (ii) the issue and the number of book-entry transfer shares for which it has manifested the intention to renounce the rights.
- (5) When the immediately superior institution referred to in the preceding paragraph receives the notice referred to in that paragraph, it must immediately make the following entries or records regarding book-entry transfer shares of the issue set forth in item (ii) of that paragraph, in the book-entry transfer account register that it keeps:
- (i) an entry or record in the account of the account management institution referred to in the preceding paragraph in the institution's own account, of the reduction in the number set forth in item (ii) of that paragraph;
  - (ii) an entry or record in the customer account under the account referred to in the preceding item, of the increase in the number set forth to in item (ii) of the preceding paragraph.

- (6) If the issuer of book-entry transfer shares of the issue referred to in paragraph (1) disposes of their own shares in order to have the account management institution referred to in paragraph (3) acquire book-entry transfer shares pursuant to the provisions of that paragraph, the provisions of Part II, Chapter II, Section 8 of the Companies Act do not apply. In such a case, the shares must be disposed of at a fair value.

(Handling in the Case of Non-Performance of Obligations by Book-Entry Transfer Institutions Concerning Entries or Records of Overages)

Article 147 (1) In the case prescribed in Article 145, paragraph (1), until the book-entry transfer institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, it is not permissible for any of the shareholders to assert a share against the issuer regarding the part of the book-entry transfer shares of that issue that the shareholder holds which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to in item (ii) is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the number obtained by deducting the number related to the performance of the obligation, if the obligation referred to in paragraph (3) of that Article has been partially performed):

- (i) the number of book-entry transfer shares of the issue that the shareholder holds (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer shares of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number obtained by deducting the maximum number ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that shareholder for the subordinate institution (limited to the holder of book-entry transfer shares that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution));
- (ii) the total number of book-entry transfer shares of the issue that all of the shareholders hold (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer shares of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of book-entry transfer shares that have been entered or

- recorded in accounts opened by that subordinate institution or by its subordinate institution for the subordinate institution).
- (2) In the case prescribed in Article 145, paragraph (1), the book-entry transfer institution prescribed in that paragraph assumes the obligation to indemnify each shareholder for damage caused by its non-performance of the obligations referred to in that paragraph or paragraph (3) of that Article.
- (3) In the case prescribed in Article 145, paragraph (1), if, within two weeks after giving the notice referred to in Article 151, paragraph (1), item (i) or (iv), a book-entry transfer institution prescribed in Article 145, paragraph (1) manifests the intention to renounce all rights to the book-entry transfer shares referred to in that paragraph pursuant to the provisions of Article 145, paragraph (3), the provisions of paragraph (1) do not apply to the exercise of rights prescribed in Article 124, paragraph (1) of the Companies Act by any shareholder other than one that the book-entry transfer institution has notified as a holder of those book-entry transfer shares (hereinafter referred to as a "specific notified shareholder" in this paragraph); provided, however, that this only applies if the book-entry transfer shares fall under one of the following items:
- (i) book-entry transfer shares for which a specific notified shareholder has manifested the intention to renounce all of the rights prescribed in Article 124, paragraph (1) of the Companies Act to the issuer, within two weeks after the notice has been given;
  - (ii) the issuer's own shares;
  - (iii) shares less than one unit (meaning shares less than one unit prescribed in Article 189, paragraph (1) of the Companies Act; the same applies in Article 153), in cases where the issuer has fixed the record date only for establishing the persons who will exercise the voting rights;
  - (iv) shares held by a shareholder specified by Ministry of Justice Order which is prescribed in Article 308, paragraph (1) of the Companies Act, in cases prescribed in the preceding item.
- (4) If a book-entry transfer institution has fully performed the obligations referred to in Article 145, paragraph (3), the provisions of paragraph (1) do not apply to shareholder's exercise of rights (excluding the rights prescribed in Article 124, paragraph (1) of the Companies Act; the rights are referred to as "rights of minority shareholders and other shareholders" in paragraph (4) of the following Article and Article 154).

(Handling in the Case of Non-Performance of Obligations by Account

Management Institutions Concerning Entries or Records of Overages)

Article 148 (1) In the case prescribed in Article 146, paragraph (1), until the account management institution prescribed in that paragraph fully performs

the obligations referred to in that paragraph and paragraph (3) of that Article, a shareholder (limited to the holder of a book-entry transfer share that has been entered or recorded in an account opened by that account management institution or by its subordinate institution) may not assert a share against the issuer regarding the part of the book-entry transfer shares of that issue that the shareholder holds which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to in item (ii) is multiplied by the number in overage prescribed in paragraph (1) of that Article (or the number obtained by deducting the number related to the performance of the obligation, if the obligation referred to in that paragraph has been partially performed) (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article):

- (i) the number of book-entry transfer shares of the issue that the shareholder holds (or, if the account management institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer shares of that issue pursuant to the provisions of Article 146, paragraph (1), the number obtained by deducting the maximum number ascribable to the account management institution, for the overage prescribed in that paragraph in respect of that shareholder (limited to the holder of a book-entry transfer share that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution) for the subordinate institution);
  - (ii) the total number of book-entry transfer shares of the issue held by all of the holders of book-entry transfer shares that have been entered or recorded in accounts opened by the account management institution or by its subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer shares of that issue pursuant to the provisions of Article 146, paragraph (1), the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution, for the overage prescribed in that paragraph in respect of all of the holders of book-entry transfer shares that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the subordinate institution).
- (2) In the case prescribed in Article 146, paragraph (1), the account management institution prescribed in that paragraph has the obligation to indemnify the shareholders prescribed in the preceding paragraph for damage caused by its non-performance of the obligations referred to in paragraph (1) or (3) of that Article.
- (3) The provisions of paragraph (3) of the preceding Article apply mutatis

mutandis in the case prescribed in Article 146, paragraph (1), if the account management institution prescribed in that paragraph manifests the intention to renounce the rights to the book-entry transfer shares referred to in that paragraph within two weeks after the notice referred to in Article 151, paragraph (1), item (i) or (iv) has been given. In such a case, the terms set forth in the left-hand column of the following table are deemed to be replaced with the terms set forth in the right-hand column of that table.

the book-entry transfer institution	a book-entry transfer institution
rights prescribed in Article 124, paragraph (1) of the Companies Act	rights prescribed in Article 124, paragraph (1) of the Companies Act (but only rights to a book-entry transfer share that has been entered or recorded in an account opened by that account management institution or by its subordinate institution)
the provisions of paragraph (1)	the provisions of paragraph (1) of the following Article

- (4) If an account management institution has fully performed the obligations referred to in Article 146, paragraph (1), the provisions of paragraph (1) do not apply to the exercise of rights of minority shareholders and other shareholders under the book-entry transfer shares that have been entered or recorded in accounts opened by that account management institution or by its subordinate institution.

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

Article 149 (1) Even if an issuer is acting in good faith, the payment of dividends of surplus on book-entry transfer shares established pursuant to the provisions of Article 147, paragraph (1) or paragraph (1) of the preceding Article that it is not possible to assert against the issuer does not have the effect of extinguishing the issuer's obligations in respect of other book-entry transfer shares of that issue.

- (2) In the case referred to in the preceding paragraph, a shareholder does not assume the duty to return the amount of the dividend of surplus referred to in that paragraph to the issuer.
- (3) If an issuer pays the dividend of surplus referred to in paragraph (1), they acquire the rights of a shareholder under the provisions of Article 147, paragraph (2), or paragraph (2) of the preceding Article toward the book-entry transfer institution or account management institution, to the extent of the amount prescribed in the preceding paragraph.

## Section 4 Special Provisions of the Companies Act

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

- Article 150 (1) If a company gives the consent referred to in Article 13, paragraph (1) with regard to shares it issues at the time of incorporation, the incorporator must indicate the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer shares, at the time the particulars set forth in the items of Article 32, paragraph (1) of the Companies Act are determined pursuant to the provisions of that paragraph.
- (2) The issuer of book-entry transfer shares must indicate the fact that the provisions of this Act apply to the book-entry transfer shares in the notice referred to in Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act on those book-entry transfer shares.
- (3) The shareholder register of a company issuing book-entry transfer shares must state or record the fact that the provisions of this Act apply to those book-entry transfer shares.
- (4) A person making an offer to subscribe for book-entry transfer shares must state in a document referred to in Article 203, paragraph (2) of the Companies Act, the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer shares, or must indicate this account to the issuer of the book-entry transfer shares at the time of concluding the agreement referred to in Article 205, paragraph (1) of that Act.
- (5) The issuer of share options (limited to those with book-entry transfer shares underlying them) must indicate that the provisions of this Act apply to the book-entry transfer shares underlying those share options in the notice referred to in Article 242, paragraph (1) of the Companies Act on those share options.
- (6) If the shares underlying a share option are book-entry transfer shares, the person exercising the share option must indicate the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer shares to the issuer of the book-entry transfer shares.

(Notice to All Shareholders)

- Article 151 (1) If a book-entry transfer institution falls under the cases set forth in any of the following items, it must promptly notify the issuer of the name and address of the shareholder, the issue and number of book-entry transfer shares issued by the issuer which are held by that shareholder, and other information specified by order of the competent ministry for the shareholder

prescribed in the items (hereinafter referred to as "information to be notified" in this Article and the following Article):

- (i) when the issuer fixes a record date: the shareholders on that date;
  - (ii) when the effective date for a merger of shares arrives: the shareholders on that date;
  - (iii) when a book-entry transfer institution or account management institution makes a deletion pursuant to the provisions of Article 135, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article): the holders of the book-entry transfer shares subject to the deletion;
  - (iv) if the issuer's business year consists of a full year, when six months have passed after the beginning of each business year (unless the issuer has fixed a record date for an interim dividend prescribed in Article 454, paragraph (5) of the Companies Act): the shareholders on the date six months have passed from the first day of the business year;
  - (v) if the designation under Article 3, paragraph (1) granted to a book-entry transfer institution handling book-entry transfer shares of a particular issue has been revoked pursuant to the provisions of Article 22, paragraph (1) or the designation has ceased to be effective pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the book-entry transfer business of the book-entry transfer institution: the shareholders on the date of the revocation of the designation or on the date on which the designation ceased to be effective;
  - (vi) when the book-entry transfer institution ceases to handle the book-entry transfer shares of a particular issue: the shareholders on the date that the book-entry transfer institution ceased to handle those book-entry transfer shares; and
  - (vii) other cases specified by Cabinet Order: the shareholders on the date specified by Cabinet Order.
- (2) In the case referred to in the preceding paragraph, a book-entry transfer institution must give a notice that the person specified in each of the following items in accordance with the category of cases set forth in that item to be a shareholder:
- (i) if book-entry transfer shares have been entered or recorded in the holdings column of a participant's account (excluding a customer account, and a purchase account prescribed in Article 155, paragraph (1)) in the book-entry transfer account register kept by a book-entry transfer institution or by its subordinate institution: the participant with that account (or, if the participant has made a request pursuant to order of the competent ministry to its immediately superior institution to give the notice referred to in the preceding paragraph by treating another participant as the holder of the book-entry transfer shares, the other participant related to the book-entry

- transfer shares (referred to as a "special shareholder" in Article 154, paragraph (3), item (ii) and Article 159-2, paragraph (2), item (ii));
- (ii) if book-entry transfer shares have been entered or recorded in the pledge column of the participant's account prescribed in the preceding item: the person whose name is entered or recorded in the pledge column as the shareholder;
- (iii) if book-entry transfer shares have been entered or recorded in the purchase account prescribed in Article 155, paragraph (1): the holder of the book-entry transfer shares that has filed an application referred to in paragraph (3) of that Article for the book-entry transfer shares (or the participant with the purchase account, after the purchase of the book-entry transfer shares becomes effective).
- (3) In the case referred to in paragraph (1), if a book-entry transfer institution receives a request from a participant with the account in which book-entry transfer shares have been entered or recorded in the pledge column, the book-entry transfer institution must indicate the name and address of the pledgee of the book-entry transfer shares, their issue, the information set forth in Article 129, paragraph (3), item (iv) concerning the book-entry transfer shares, and other information specified by order of the competent ministry in the notice referred to in paragraph (1).
- (4) A participant must go through its immediately superior institution to file the request referred to in the preceding paragraph.
- (5) In the case referred to in Article 147, paragraph (1) or Article 148, paragraph (1), when a book-entry transfer institution gives the notice referred to in paragraph (1), it must indicate the number of book-entry transfer shares that have been entered or recorded in the participant's account at the book-entry transfer institution or its subordinate institution, which is not possible to assert against the issuer pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1).
- (6) If an account management institution is asked by its immediate superior institution to report the necessary information for the notice referred to in paragraph (1) (including the information prescribed in paragraph (3) and the preceding paragraph) concerning the book-entry transfer shares that have been entered or recorded in the account of the participant of the account management institution or its subordinate institution, the account management institution must promptly report the information.
- (7) In the cases prescribed in paragraph (1), item (i), item (ii), item (iv), and item (vii) (other than those specified by Cabinet Order), the issuer must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the date that the item prescribes (in the case referred to in item (iv) of that paragraph, the first day of the business year



referred to in that item) and the information specified by order of the competent ministry, pursuant to order of the competent ministry.

- (8) If there is a legitimate reason for doing so, an issuer may demand that a book-entry transfer institution notify the information to be notified concerning shareholders on a fixed date set by the issuer, by paying the expense specified by the book-entry transfer institution. In such a case, the provisions of paragraphs (1) through (6) apply mutatis mutandis.

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

Article 152 (1) If an issuer receives a notice referred to in paragraph (1) of the preceding Article (including as applied mutatis mutandis pursuant to paragraph (8) of that Article; hereinafter the same applies in this Article), the issuer must make an entry or record of the information to be notified, the information indicated pursuant to the provisions of paragraph (3) of that Article (including as applied mutatis mutandis pursuant to paragraph (8) of that Article) which is specified by order of the competent ministry, and the information indicated pursuant to the provisions of paragraph (5) of that Article (including as applied mutatis mutandis pursuant to paragraph (8) of that Article; hereinafter the same applies in this Article) in the shareholder register. In such a case, the information is deemed to have been entered or recorded pursuant to the provisions of Article 130, paragraph (1) of the Companies Act on the date prescribed in each item of paragraph (1) of the preceding Article.

- (2) Notwithstanding the provisions of the preceding paragraph, if an issuer manifests the intention prescribed in Article 147, paragraph (3) (including as applied mutatis mutandis pursuant to Article 148, paragraph (3)), they must not enter or record in the shareholder register of the information indicated pursuant to the provisions of paragraph (5) of the preceding Article with regard to a book-entry transfer share that has been entered or recorded in an account opened by a book-entry transfer institution or account management institution that has fully performed the obligations referred to in Article 145, paragraph (3) or Article 146, paragraph (1) or by its subordinate institution.

- (3) In the case referred to in the preceding paragraph, an issuer must enter or record in the shareholder register of the number obtained by deducting the number set forth in item (ii) from the number set forth in item (i) as the number of book-entry transfer shares held by a specific notified shareholder (meaning a specific notified shareholder prescribed in Article 147, paragraph (3) (including as applied mutatis mutandis pursuant to Article 148, paragraph (3))); hereinafter the same applies in this paragraph):

(i) the number of book-entry transfer shares held by a specific notified

shareholder that has been notified pursuant to the provisions of paragraph (1) of the preceding Article;

- (ii) the number of book-entry transfer shares held by the specific notified shareholder which are subject to the full performance of the obligations referred to in Article 145, paragraph (3) or Article 146, paragraph (1).

(Voting Rights of Shareholders in the Case of Non-Performance of Obligations Concerning Entries or Records of Overages)

Article 153 Notwithstanding the provisions of Article 308, paragraph (1) of the Companies Act, if shareholders come to hold fractional shares for shares other than those that may not be asserted against the issuer, or if shareholders come to hold shares less than one unit pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1), each shareholder is entitled to hold voting rights regarding the fractional shares or shares less than one unit, for the number obtained when the number of fractional shares or the number of shares less than one unit is divided by the number of share units (any number to the right of the hundredths column is disregarded).

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

Article 154 (1) The provisions of Article 130, paragraph (1) of the Companies Act do not apply to the exercise of rights of minority shareholders and other shareholders in respect of book-entry transfer shares.

- (2) The rights of minority shareholders and other shareholders to book-entry transfer shares referred to in the preceding paragraph may be exercised only during the period specified by Cabinet Order after the notice referred to in the following paragraph has been given.
- (3) If a request has been made by its own participant or the participant of its subordinate institution with respect to book-entry transfer shares of a particular issue, a book-entry transfer institution must notify the issuer of the book-entry transfer shares of the name and address of the participant, the following information, and the information specified by order of the competent ministry, without delay:
  - (i) the number of book-entry transfer shares that have been entered or recorded in the holdings column of the participant's account (other than those for which the participant has filed a request referred to in Article 151, paragraph (2), item (i)) and the information set forth in Article 129, paragraph (3), item (vi) concerning that number;
  - (ii) if the participant is a special shareholder under another participant's account, the number of book-entry transfer shares that have been entered or recorded in the holdings column of that account which are held by the special

- shareholder and the information set forth in Article 129, paragraph (3), item (vi) concerning the number;
- (iii) if the participant has been entered or recorded as a shareholder in the pledge column under the account of another participant, the number of book-entry transfer shares that have been entered or recorded in the pledge column of that account which are held by the shareholder and the information set forth in Article 129, paragraph (3), item (vi) concerning the number; and
  - (iv) if the participant is a holder of book-entry transfer shares that has filed an application referred to in paragraph (3) of the following Article, the number of book-entry transfer shares that have been entered or recorded in the purchase account prescribed in paragraph (1) of that Article which are held by the shareholder and the information set forth in Article 129, paragraph (3), item (vi) concerning the number.
- (4) A participant must go through its immediately superior institution to file the request referred to in the preceding paragraph.
- (5) The provisions of Article 151, paragraphs (5) and (6) apply mutatis mutandis to the notice referred to in paragraph (3). In such a case, the phrase "paragraph (3) and the preceding paragraph" in paragraph (6) of that Article is deemed to be replaced with "the preceding paragraph".

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

Article 155 (1) If an issuer of book-entry transfer shares seeks to perform any of the acts set forth in the items of Article 116, paragraph (1) of the Companies Act, a consolidation of shares prescribed in Article 182-2, paragraph (1) of that Act, business transfer, etc. (meaning the business transfer, etc. prescribed in Article 468, paragraph (1) of that Act; the same applies in paragraph (4)), a merger, conclusion of absorption-type split agreement, incorporation-type split, conclusion of share exchange agreement, share transfer or share delivery, the issuer must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer shares subject to the exercise of appraisal rights on shares (meaning the exercise of appraisal rights on shares under the provisions of Article 116, paragraph (1), Article 182-4, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1), Article 806, paragraph (1) or Article 816-6, paragraph (1) of that Act; hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Article and Article 159-2, paragraph (2), item (iv)); provided, however, that this does not apply if the issuer has already requested for a purchase account to be opened or there is no holder of book-entry transfer

shares that is entitled to exercise appraisal rights on shares in relation to any of these acts.

- (2) If the issuer referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 161, paragraph (2) of the information which is required to be given notice, in lieu of giving notice under the provisions of Article 116, paragraph (3) of the Companies Act, Article 181, paragraph (1) of that Act (limited to cases as applied pursuant to Article 182-4, paragraph (3) of that Act following the deemed replacement of terms), or Article 469, paragraph (3), Article 785, paragraph (3), Article 797, paragraph (3), Article 806, paragraph (3,) or Article 816-6, paragraph (3) of that Act, the issuer must also issue public notice of the purchase account.
- (3) If holders of book-entry transfer shares seek to exercise the appraisal rights on shares for their book-entry transfer shares, they must file an application for a book-entry transfer of the book-entry transfer shares that use the purchase account as the transferee account.
- (4) Until the day on which the acts set forth in items of Article 116, paragraph (1) of the Companies Act, consolidation of shares prescribed in Article 182-2, paragraph (1) of that Act, business transfer, etc., absorption-type merger, absorption-type split, or share exchange or share delivery takes effect, or until the incorporation date of the company that is incorporated as a result of a consolidation-type merger, incorporation-type company split, share exchange or share delivery, the issuer referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares in relation to any of those acts) that use the issuer's account as the transferee account.
- (5) If the issuer referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on shares by a holder of book-entry transfer shares that has filed an application referred to in paragraph (3), the issuer must, without delay, file an application for a book-entry transfer of the book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares to be withdrawn) that use the account of the shareholder as the transferee account.
- (6) The issuer referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account, if the transferee account is other than that of the issuer or that of the holder of the book-entry transfer shares that has filed an application referred to in paragraph (3).
- (7) A participant other than the holder of book-entry transfer shares that files an application referred to in paragraph (3) may not file an application for a book-entry transfer that use the purchase account as the transferee account.

(8) If a holder of book-entry transfer shares exercises its appraisal rights on the book-entry transfer shares pursuant to the provisions of Article 192, paragraph (1) of the Companies Act, the issuer may demand that, in exchange for paying the price of the book-entry transfer shares, the shareholder file an application with its immediately superior institution to make book entries for the book-entry transfer shares that use the issuer's account as the transferee account.

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

Article 156 (1) A participant making a request pursuant to the provisions of the main clause of Article 166, paragraph (1) of the Companies Act with regard to book-entry transfer shares of a particular issue constituting shares with put options must file an application for book entries to be made for those book-entry transfer shares.

(2) Notwithstanding the provisions of Article 167, paragraph (1) of the Companies Act, if shares with put options that are subject to the request referred to in the main clause of Article 166, paragraph (1) of the Companies Act are book-entry transfer shares, the issuer acquires the book-entry transfer shares at the time that an entry or record of the increase in the number of shares with put options is made in the holdings column of the issuer's account, based on an application for book entries as referred to in the preceding paragraph.

(3) A person seeking to be delivered book-entry transfer shares based on a request pursuant to the provisions of the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company delivering the book-entry transfer shares the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer shares.

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

Article 157 (1) If the issuer of book-entry transfer shares constituting shares subject to call seeks to acquire a part of the book-entry transfer shares, they must file an application for the book-entry transfer of those shares that uses their own account as the transferee account after the day on which the grounds referred to in Article 107, paragraph (2), item (iii), sub-item (a) of the Companies Act have arisen, without delay. In such a case, the application is to be filed with the immediately superior institution of the participant whose account (excluding a customer account) the entry or record of the reduction is to be made by the book-entry transfer.

(2) Notwithstanding the provisions of Article 170, paragraph (1) of the Companies Act, in the case referred to in the first sentence of the preceding paragraph, the issuer acquires the book-entry transfer shares at the time that

an entry or record of the increase in the number of book-entry transfer shares referred to in the first sentence of that paragraph is made in the holdings column of its account, based on an application for book entries referred to in the first sentence of that paragraph.

- (3) When the issuer of book-entry transfer shares constituting shares subject to call or shares subject to class-wide call (meaning shares subject to class-wide call prescribed in Article 171, paragraph (1) of the Companies Act) seeks to acquire all of those book-entry transfer shares, the issuer must give the notice referred to in Article 135, paragraph (1) (hereinafter referred to as the "notice of the deletion of all entries or records" in this Chapter) after the day on which the grounds referred to in Article 107, paragraph (2), item (iii), sub-item (a) of that Act have arisen or after the acquisition date prescribed in Article 171, paragraph (1), item (iii) of that Act (hereinafter referred to as the "effective date" in this paragraph) without delay, by using the effective date as the date referred to in Article 135, paragraph (1), item (ii).
- (4) Notwithstanding the provisions of Article 170, paragraph (1) and Article 173, paragraph (1) of the Companies Act, in the case referred to in the preceding paragraph, the issuer acquires the book-entry transfer shares referred to in that paragraph when the entries or records of those shares have been deleted pursuant to the notice of the deletion of all entries or records.

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

Article 158 (1) If the issuer seeks to cancel their book-entry transfer shares, they must file an application for the deletion of those shares.

- (2) The cancellation of book-entry transfer shares takes effect on the day that an entry or record of the decrease referred to in Article 134, paragraph (4), item (i) has been made.

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

Article 159 (1) Notwithstanding the provisions of Article 130, paragraph (1), the issuer may not give the notice referred to in that paragraph with regard to a share whose certificate has been registered as lost, until the day of cancellation of registration (meaning the day of cancellation of registration prescribed in Article 230, paragraph (1) of the Companies Act; hereinafter the same applies in this Article).

- (2) The issuer of a share referred to in the preceding paragraph must make a request referred to in the main clause of Article 131, paragraph (3) for the registered holder (meaning a registered holder prescribed in Article 221, item (iii) of the Companies Act) that is the registrant of lost share certificate (meaning the registrant of lost share certificate prescribed in Article 224,

paragraph (1) of that Act) or any other person specified by order of the competent ministry (hereinafter referred to as the "registered holder or similar person" in this Article) on the day of cancellation of registration, to a book-entry transfer institution or account management institution; provided, however, that this does not apply if the registered holder or similar person has given notice of the account (excluding a special account) that has been opened for them in which book entries are to be made for the book-entry transfer shares to the issuer by the day of cancellation of registration, or if there is a special account that the issuer has requested to be opened for the registered holder or similar person.

- (3) If the issuer referred to in the main clause of the preceding paragraph gives the notice referred to in Article 130, paragraph (1) with regard to a share referred to in paragraph (1), the issuer must give the notice referred to in that paragraph, by using the information set forth in the following items as the information prescribed in each of those items:
- (i) the name of the participant that constitutes the registered holder or similar person referred to in the main clause of the preceding paragraph: the information set forth in Article 130, paragraph (1), item (ii); and
  - (ii) the account referred to in the proviso of the preceding paragraph, which the issuer has been notified by the participant referred to in the preceding item (or the special account that the issuer has requested be opened, if the notice has not been given): the information set forth in Article 130, paragraph (1), item (iii).

(Special Provisions of the Companies Act on Measures for Electronic Provision)  
Article 159-2 (1) A company issuing book-entry transfer shares must provide in its articles of incorporation that it will take measures for electronic provision (meaning the measures for electronic provision prescribed in Article 325-2 of the Companies Act).

- (2) A participant may file a request for delivery of documents (meaning the request for delivery of documents prescribed in Article 325-5, paragraph (2) of the Companies Act; hereinafter the same applies in this paragraph) with the issuer of the following book-entry transfer shares through their immediately superior institution. In such a case, notwithstanding the provisions of Article 130, paragraph (1) of that Act, the participant may assert its right to request the delivery of documents against the issuer:
- (i) the book-entry transfer shares that have been entered or recorded in the holdings column of the participant's account (excluding those for which the participant has filed a request referred to in Article 151, paragraph (2), item (i));
  - (ii) if the participant is a special shareholder under another participant's

- account, the book-entry transfer shares that have been entered or recorded in the holdings column of the account which are held by the special shareholder;
- (iii) if the participant has been entered or recorded as a shareholder in the pledge column under the account of another participant, the book-entry transfer shares that have been entered or recorded in the pledge column of the account which are held by the shareholder; and
  - (iv) if the participant is a shareholder of book-entry transfer shares for which the application referred to in Article 155, paragraph (3) has been filed, the book-entry transfer shares that have been entered or recorded in the purchase account which are held by the shareholder.

(Special Provisions of the Companies Act on Mergers)

- Article 160 (1) If shares in a disappearing company or wholly owned company are not book-entry transfer shares, or if the company disappearing in a merger is a membership company, and the surviving company or wholly owning company seeks to deliver book-entry transfer shares at the time of the absorption-type merger or share exchange, or the incorporated company or wholly owning company seeks to deliver book-entry transfer shares at the time of the consolidation-type merger or share transfer, the company must give the notice referred to in Article 131, paragraph (1) by using the effective date of merger or date of incorporation as the fixed date referred to in Article 131, paragraph (1), item (i).
- (2) If a surviving company or wholly owning company seeks to transfer book-entry transfer shares at the time of an absorption-type merger or share exchange, it must file an application for book entries to be made for those book-entry transfer shares after the effective date of merger or date of incorporation without delay.
  - (3) If shares in a disappearing company or wholly owned company are book-entry transfer shares and the surviving company or wholly owning company seeks to issue shares that are not book-entry transfer shares at the time of the absorption-type merger or share exchange, or the incorporated company or wholly owning company seeks to issue shares that are not book-entry transfer shares at the time of the consolidation-type merger or share transfer, or if the surviving company or wholly owning company or incorporated company or wholly owning company is not a stock company, the disappearing company or wholly owned company must give the notice of the deletion of all entries or records by using the effective date of merger or date of incorporation as the date referred to in Article 135, paragraph (1), item (ii).
  - (4) If membership companies merge and the company surviving an absorption-type merger or company incorporated in a consolidation-type merger seeks to issue book-entry transfer shares at the time of the merger, the company must



specify in the merger agreement, the accounts (excluding a special account) that have been opened for the members of the membership company in which book entries are to be made for those book-entry transfer shares.

- (5) If the company succeeding in an absorption-type split or company incorporated in an incorporation-type split seeks to issue book-entry transfer shares at the time of the company split, the company must specify in the absorption-type split agreement or incorporation-type split plan, the account (excluding a special account) that has been opened for the splitting company in which book entries are to be made for those book-entry transfer shares.

(Special Provisions of the Companies Act on Share Delivery)

- Article 160-2 (1) If the shares of the parent company resulting from a share delivery referred to in Article 774-3, paragraph (1), item (iii) or item (viii), (a) of the Companies Act are book-entry transfer shares, the parent company resulting from a share delivery must indicate the fact that the provisions of this Act apply to those book-entry transfer shares in the notice pursuant to the provisions of Article 774-4, paragraph (1) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).
- (2) In the case referred to in the preceding paragraph, a person making an offer referred to in Article 774-4, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act; hereinafter the same applies in this paragraph) (excluding one that will not become a shareholder of book-entry transfer shares issued by the parent company resulting from a share delivery pursuant to the provisions concerning the particulars set forth in Article 774-3, paragraph (1), item (iv) or (ix) of that Act) must state in the document referred to in Article 774-4, paragraph (2) of that Act, the account opened for them in which book entries are to be made for the book-entry transfer shares (excluding a special account) or must indicate this account to the issuer of those book-entry transfer shares at the time of concluding the agreement referred to in Article 774-6 of that Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).
- (3) If the shares underlying share options referred to in Article 774-3, paragraph (1), item (v), sub-item (b) or item (viii), sub-item (c) of the Companies Act are book-entry transfer shares, the parent company resulting from a share delivery must indicate the fact that the provisions of this Act apply to those book-entry transfer shares underlying the share options in the notice pursuant to the provisions of Article 774-4, paragraph (1) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).
- (4) If the parent company resulting from a share delivery seeks to transfer book-entry transfer shares at the time of the share delivery, it must file an application for book entries to be made for those book-entry transfer shares

after the day on which the share delivery takes effect without delay.

(Exclusion from Application)

Article 161 (1) The provisions of Article 122, paragraphs (1) through (3), Article 132, paragraph (1), items (ii) and (iii) and paragraphs (2) and (3), Article 133, Article 147, paragraph (1), Article 148, Article 152, and Article 154-2, paragraphs (1) through (3) of the Companies Act do not apply to book-entry transfer shares.

(2) Notwithstanding the provisions of Article 116, paragraph (3), Article 158, paragraph (1), Article 168, paragraph (2), Article 169, paragraph (3), Article 170, paragraph (3), Article 172, paragraph (2), Article 179-4, paragraph (1), Article 179-6, paragraph (4), Article 181, paragraph (1), Article 195, paragraph (2), Article 201, paragraph (3), Article 206-2, paragraph (1), Article 240, paragraph (2), Article 244-2, paragraph (1), Article 469, paragraph (3), Article 776, paragraph (2), Article 783, paragraph (5), Article 785, paragraph (3), Article 797, paragraph (3), Article 804, paragraph (4), Article 806, paragraph (3), and Article 816-6, paragraph (3) of the Companies Act, in lieu of giving the notice (limited to those given to shareholders or registered pledgees of the book-entry transfer shares) pursuant to those provisions, a company issuing book-entry transfer shares must issue public notice of the information which is required to be notified.

(3) In applying the provisions of Article 130, paragraph (1) of the Companies Act to the transfer of book-entry transfer shares, the phrase "stock company and other third parties" in that paragraph is deemed to be replaced with "stock company".

## **Section 5 Miscellaneous Provisions**

Article 162 (1) If the notice referred to in one of the following items has been given, the book-entry transfer institution that has been notified must immediately take measures that enable the participants to learn the information prescribed in that item concerning the book-entry transfer shares of the issue related to the notice by the means specified by Cabinet Order:

(i) notice referred to in Article 130, paragraph (1): the information set forth in item (ix) of that paragraph; or

(ii) notice referred to in the first sentence of Article 138, paragraph (1): the information set forth in item (vii) of that paragraph.

(2) The expenses incurred in relation to the measures referred to in the preceding paragraph are to be borne by the issuer of the book-entry transfer shares referred to in that paragraph.

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

### **Section 1 General Rules**

#### (Attribution of Rights)

Article 163 The attribution of rights under share options handled by a book-entry transfer institution which are provided for in a decision to issue share options establishing that all share options issued based on that decision (limited to those with book-entry transfer shares underlying them; excluding share options for which the particulars set forth in Article 236, paragraph (1), item (vi) of the Companies Act have been established and share options embedded in corporate bonds) will be subject to the application of the provisions of this Act (hereinafter referred to as "book-entry transfer share options") is established by the entries or records in a book-entry transfer account register pursuant to the provisions of this Chapter.

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

- Article 164 (1) Share option certificates may not be issued for book-entry transfer share options.
- (2) Notwithstanding the provisions of the preceding paragraph, if a book-entry transfer institution that handles the book-entry transfer share options has the designation under Article 3, paragraph (1) revoked pursuant to the provisions of Article 22, paragraph (1) or the designation expires pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the book-entry transfer business of the book-entry transfer institution, or if a book-entry transfer institution that handles the book-entry transfer share options ceases to handle those book-entry transfer share options, a holder of book-entry transfer share options may ask the issuer to issue a share option certificate.
- (3) The share option certificates referred to in the preceding paragraph are to be in bearer form.

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

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

- Article 165 (1) A book-entry transfer account register is subdivided by account for each participant.
- (2) The account of an account management institution in a book-entry transfer account register is subdivided into the following accounts:
- (i) an account in which book-entry transfer share options to which the account management institution is entitled are entered or recorded (hereinafter referred to as the institution's "own account" in this Chapter); and

- (ii) an account in which book-entry transfer share options to which the participants of the account management institution or of its subordinate institution are entitled are entered or recorded (hereinafter referred to as a "customer account" in this Chapter).
- (3) The following information is entered or recorded for each account (excluding a customer account) in a book-entry transfer account register:
- (i) the name and address of the participant;
  - (ii) the issuer's trade name and the type of book-entry transfer share option (hereinafter referred to as the "issue" in this Chapter);
  - (iii) the number of book-entry transfer share options, by issue (other than those set forth in the following item);
  - (iv) if the participant is a pledgee, that fact, the number of book-entry transfer share options underlying the pledge by issue, the number of book-entry transfer share options of each issue for each share option holder, and the names and addresses of the share option holders;
  - (v) if the participant is the trustee of a trust, that fact, the number of book-entry transfer share options referred to in the preceding two items which constitute trust property; and
  - (vi) other information specified by Cabinet Order.
- (4) The following information is entered or recorded in the customer account in a book-entry transfer account register:
- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the number of book-entry transfer share options, by issue; and
  - (iii) other information specified by Cabinet Order.
- (5) If a book-entry transfer institution opens an institution-held account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the number of book-entry transfer share options by issue; and
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one specified by order of the competent ministry).

(New Entries or Records to be Made upon Issuance of Book-Entry Transfer Share Options)

- Article 166 (1) The issuer of book-entry transfer share options of a particular issue must give notice to the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information after the day on which they issue the book-entry transfer share options without delay:
- (i) the issue of book-entry transfer share options that they have issued;

- (ii) the names of the participants that constitute the holders and pledgees of the book-entry transfer share options referred to in the preceding item;
  - (iii) the accounts opened for the participants referred to in the preceding item, in which book entries are to be made for the book-entry transfer share options referred to in item (i);
  - (iv) the number of book-entry transfer share options referred to in item (i) for each participant (other than those set forth in the following item);
  - (v) if the participant is a pledgee, that fact, the number of book-entry transfer share options referred to in item (i) underlying the pledge for each participant, and the number of those share options for each share option holder;
  - (vi) the names and addresses of the share option holders referred to in the preceding item;
  - (vii) if the participant is the trustee of a trust, that fact, the number of book-entry transfer share options referred to in items (iv) and (v) which constitute trust property;
  - (viii) information set forth in item (vi), paragraph (3) of the preceding Article, which Cabinet Order prescribes as information that the issuer is able to learn; and
  - (ix) the total number of book-entry transfer share options referred to in item (i), the period during which the share options may be exercised, and other information specified by order of the competent ministry.
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately take the following measures for the issue of book-entry transfer share options which has been notified:
- (i) make the following entries or records, if the book-entry transfer institution is the one that opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or record of the increase in the number referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph (limited to one that is a holder of share options referred to in that item), in the column of that account in which the information set forth in paragraph (3), item (iii) of the preceding Article is to be entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
    - (b) an entry or record of the increase in the number of book-entry transfer share options referred to in item (v) of the preceding paragraph and the number of those options ascribable to each share option holder, for a participant referred to in item (ii) of that paragraph (limited to one that is a pledgee referred to in that item), in the column of that account in which the information set forth in paragraph (3), item (iv) of the preceding Article

is to be entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);

- (c) an entry or record of the information set forth in item (vi) of the preceding paragraph in the pledge column of the account;
  - (d) an entry or record of the increase in the number of book-entry transfer share options constituting trust property which is referred to in item (vii) of the preceding paragraph in the account; and
  - (e) an entry or record of the information set forth in item (viii) of the preceding paragraph in the account.
- (ii) make an entry or record of the increase in the sum of the number referred to in item (iv) of the preceding paragraph and the number of book-entry transfer share options referred to in item (v) of that paragraph for a participant referred to in item (ii) of that paragraph, in the customer account under the account of the institution immediately subordinate to the book-entry transfer institution that is the superior institution of the participant, and give notice to the immediately subordinate institution of the information set forth in items (i) through (viii) of that paragraph, if the book-entry transfer institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If the notice referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply *mutatis mutandis* to the account management institution that has received the notice.

#### (Procedures If the Issuer is Unable to Identify the Account of a Share Option Holder)

Article 167 (1) If a company seeks to deliver book-entry transfer share options of a particular issue and is unable to identify an account that has been opened for the holder or pledgee of those book-entry transfer share options in which book entries are to be made for the book-entry transfer share options, the company (or the person specified by order of the competent ministry as being equivalent to the company, if it is to deliver book-entry transfer share options at the time of a consolidation-type merger or in any other case specified by order of the competent ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that order of the competent ministry prescribes as the one that should become the holder or pledgee of those book-entry transfer share options, of the following information, by one month prior to the fixed date referred to in item (i):

- (i) the fact that the company will give the notice referred to in paragraph (1) of the preceding Article or file an application for a book-entry transfer to be made for the holder (excluding a holder of share options underlying a pledge,

- if there is a pledgee) and the pledgee of the book-entry transfer share options on a fixed date;
- (ii) the fact that the account opened for the share option holder or pledgee referred to in the preceding item (excluding an account opened by a book-entry transfer institution or account management institution based on a request referred to in the main clause of paragraph (3)) in which book entries are to be made for the book-entry transfer share options should be notified to the notifier by the fixed date referred to in that item;
  - (iii) the name and address of the book-entry transfer institution or account management institution that opens accounts based on the request referred to in the main clause of paragraph (3); and
  - (iv) other information specified by order of the competent ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than the company referred to in that paragraph, the notifier must notify the company of the account referred to in item (ii) of that paragraph which the holder or pledgee referred to in that item has notified, on the fixed date referred to in item (i) of that paragraph.
- (3) If the share option holder or pledgee referred to in paragraph (1), item (i) does not notify the notifier of the account referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the company must request the book-entry transfer institution or account management institution referred to in item (iii) of that paragraph to open an account for the share option holder or pledgee in which book entries are to be made for book-entry transfer share options (hereinafter referred to as a "special account" in this Chapter); provided, however, that this does not apply if there is a special account that the company has requested to be opened for that share option holder or pledgee.
- (4) If a company is the issuer of share options that constitute book-entry transfer share options referred to in paragraph (1) and has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), the company must promptly give the consent referred to in Article 13, paragraph (1) to the book-entry transfer institution with respect to those share options.
- (5) In the case prescribed in paragraph (1), when a company gives the notice referred to in paragraph (1) of the preceding Article, the company must use the account referred to in paragraph (1), item (ii) which is notified by the share option holder or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.

(Making Book Entries)

Article 168 (1) If an application for a book-entry transfer involving book-entry transfer share options of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (8) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction or increase in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction or increase.

(2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is an application that the participant files with its immediately superior institution for whom the reduction is entered or recorded in their account (excluding a customer account) by the book-entry transfer.

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

(i) the issue and the number of book-entry transfer share options for which the reduction and increase are required to be entered or recorded when the book-entry transfer is made;

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

(iii) the names and addresses of the holders of book-entry transfer share options in connection with which entries or records are required to be made, and the number of each share option holder's number of book-entry transfer share options referred to in item (i) (hereinafter referred to as the "number subject to book-entry transfer" in this Article), if the reduction is to be entered or recorded in the pledge column of the account referred to in the preceding item;

(iv) the account in which the entry or record of the increase is required to be made (excluding a customer account; hereinafter referred to as the "transferee account" in this Chapter);

(v) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (excluding an institution-held account); and

(vi) the number of each share option holder's number subject to book-entry transfer and the names and addresses of those share option holders, if the increase will be entered or recorded in the pledge column of the transferee account (excluding an institution-held account).

(4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:

(i) make the following entries or records in the holdings column or pledge



- column of the account of the participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph:
- (a) an entry or record of the reduction in the number subject to book-entry transfer;
  - (b) entries or records of the reductions in the numbers ascribable to each holder referred to in item (iii) of the preceding paragraph, if the entry or record of the reduction referred to in sub-item (a) is to be made in the pledge column.
- (ii) notify the immediately superior institution of the information indicated pursuant to the provisions of item (i) and items (iv) through (vi) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
- (iii) make an entry or record of the increase in the number subject to book-entry transfer in the holdings column or pledge column of the transferee account indicated pursuant to the provisions of item (v) of the preceding paragraph (or in the column in which the information set forth in Article 165, paragraph (5), item (ii) is to be entered or recorded, for an institution-held account; hereinafter referred to as the "transferee column" in this Article), if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;
- (iv) in the case referred to in the preceding item, to make the following entries or records in the pledge column, if the transferee column is the pledge column:
- (a) an entry or record of the increase in the number subject to book-entry transfer for each share option holder referred to in item (vi) of the preceding paragraph;
  - (b) an entry or record of the name and address of the share option holder.
- (v) make an entry or record of the increase in the number subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information indicated under the provisions of item (i) and items (iv) through (vi) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has

been notified must immediately take the following measures:

- (i) make an entry or record of the reduction in the number subject to book-entry transfer in the customer account under the account of the account management institution that has given the notice;
  - (ii) notify the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) in the case referred to in the preceding item, to make the entries or records set forth in item (iv), sub-items (a) and (b) of the preceding paragraph in the pledge column, if the transferee column is the pledge column;
  - (v) make an entry or record of the increase in the number subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply *mutatis mutandis* to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), if the notice has been given.
- (7) If the notice referred to in paragraph (4), item (v) or paragraph (5), item (v) (including as applied *mutatis mutandis* pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) has been given, the account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the account management institution is the one that opened the transferee account;
  - (ii) in the case referred to in the preceding item, to make the entries or records

set forth in paragraph (4), item (iv), sub-items (a) and (b) in the pledge column, if the transferee column is the pledge column;

(iii) make an entry or record the increase in the number subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of paragraph (4), item (v) or paragraph (5), item (v), if the account management institution is not the one that opened the transferee account.

(8) The provisions of the preceding paragraph apply *mutatis mutandis* to an account management institution that received the notice referred to in item (iii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), if the notice has been given.

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

Article 169 (1) A participant may not file an application for a book-entry transfer involving a book-entry transfer share option that has been entered or recorded in a special account, if the transferee account is other than that of the participant or of the issuer of the book-entry transfer share option.

(2) If, before the notice referred to in Article 166, paragraph (1) is given or an application for a book-entry transfer involving book-entry transfer share options of a particular issue is filed, a person that acquired shares in a company disappearing in a merger but cannot be delivered the book-entry transfer share options that replace those shares at the time of the merger because no entry or record has been made for the person in the shareholder register, or any other person specified by order of the competent ministry (hereinafter referred to as the "acquirer or other such person" in this Article) files a joint request together with the participant with the special account in which the book-entry transfer share options have been entered or recorded after giving the notice or filing the application, the issuer must take the following actions. The same applies if the acquirer or other such person files a request by attaching an authenticated copy or certified copy of an enforceable judgment that orders the participant to file the request or by attaching any other document specified by order of the competent ministry as being equivalent to the copy, or in cases prescribed by order of the competent ministry as those that are unlikely to harm the interests of the participant and other interested persons even if the issuer takes the following actions upon the request by the acquirer or other such person:

- (i) filing the request referred to in the main clause of Article 167, paragraph (3) for the acquirer or other such person;
  - (ii) filing an application for the book-entry transfer of the book-entry transfer share options in the transferee account that has been opened upon the request referred to in the preceding item.
- (3) A participant other than the issuer that has requested for a special account to be opened may not file an application for a book-entry transfer with the special account as the transferee account.

(Transfer of Special Accounts)

Article 169-2 (1) The issuer of book-entry transfer share options that have been entered or recorded in a special account may request a book-entry transfer institution or account management institution other than the book-entry transfer institution or account management institution that has opened the special account (referred to as the "pre-transfer book-entry transfer institution or account management institution" in the following paragraph and paragraph (3)) to open a special account in which book entries are to be made for the book-entry transfer share options for the participants with the former special account.

- (2) The request referred to in the preceding paragraph must be filed collectively for all participants with the special account opened by the pre-transfer book-entry transfer institution or account management institution in which book entries are to be made for the book-entry transfer share options (referred to as the "pre-transfer special account" in the following paragraph and paragraph (4)); provided, however, that this does not apply to a participant in cases where the special account that the issuer referred to in the preceding paragraph has requested to be opened for the participant exists at the book-entry transfer institution or account management institution to which the request referred to in that paragraph has been filed.
- (3) The issuer referred to in paragraph (1) may file an application with the pre-transfer book-entry transfer institution or account management institution for a book-entry transfer, using the post-transfer special account (meaning the special account opened upon the request referred to in that paragraph or the special account referred to in the proviso to the preceding paragraph; the same applies in the following paragraph) as the transferee account, with regard to all book-entry transfer share options entered or recorded in the pre-transfer special account.
- (4) If the issuer referred to in paragraph (1) files an application referred to in the preceding paragraph, they must, without delay, notify the participants with the pre-transfer special account of the name and address of the book-entry transfer institution or account management institution that has opened the

post-transfer special account.

(Making Deletions)

Article 170 (1) If an application for the deletion of a book-entry transfer share option of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.

(2) The application referred to in the preceding paragraph is an application that the participant for whom the reduction resulting from the deletion is entered or recorded in their account (excluding a customer account) files with their immediately superior institution.

(3) A participant filing an application referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate in that application the issue and the number of book-entry transfer share options for which the reduction is required to be entered or recorded when the deletion is made.

(4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:

(i) make an entry or record of the reduction in the number referred to in the preceding paragraph in the holdings column of the applicant's account;

(ii) notify the immediately superior institution of the information indicated pursuant to the provisions of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.

(5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:

(i) make an entry or record of the reduction in the number referred to in paragraph (3) in the customer account under the account of the account management institution that has given the notice;

(ii) notify the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.

(6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been

given.

(Deleting All Entries or Records)

Article 171 (1) The issuer of book-entry transfer share options of a particular issue must notify the book-entry transfer institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the date referred to in item (ii), when it seeks to delete all of the entries or records regarding those book-entry transfer share options:

(i) the issue of book-entry transfer share options; and

(ii) the date for the deletion of all of the entries or records regarding those book-entry transfer share options.

(2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer share options which has been notified.

(3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must delete the entries or records for all of the book-entry transfer share options referred to in item (i) of that paragraph from the accounts in the book-entry transfer account register that it keeps on the day referred to in item (ii) of that paragraph, in which entries or records have been made for the book-entry transfer share options (for accounts other than the institution-held account or a customer account, the holdings column or the pledge column of that account; hereinafter referred to as a "holdings or pledge column" in this Chapter).

(4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.

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

Article 172 After the expiration of the period prescribed in Article 166, paragraph (1), item (ix), a book-entry transfer institution or account management institution must immediately delete the entries or records for all of the book-entry transfer share options referred to in item (i) of that paragraph from the holdings or pledge column of the book-entry transfer account register that it keeps in which entries or records have been made for the book-entry transfer share options.

(Procedures for Changing Entries or Records)

Article 173 If a book-entry transfer institution or account management institution learns that there has been a change to the information set forth in one of the items of Article 165, paragraph (3), paragraph (4), or paragraph (5) in the book-entry transfer account register that it keeps, it must immediately enter or record the change in the book-entry transfer account register.

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

(Transfer of Book-Entry Transfer Share Options)

Article 174 A transfer of book-entry transfer share options does not take effect unless the transferee has had an entry or record made in the holdings column of their account (or in the column in which the information set forth in Article 165, paragraph (5), item (ii) is entered or recorded, for the institution-held account), based on an application for book-entry transfer, of the increase in the number of book-entry transfer share options subject to the transfer.

(Pledge of Book-Entry Transfer Share Options)

Article 175 A pledge of book-entry transfer share options does not take effect unless the pledgee has had an entry or record made in the pledge column of their account, based on an application for book-entry transfer, of the increase in the number of book-entry transfer share options subject to the pledge.

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

Article 176 (1) Unless an entry or record has been made for a book-entry transfer share option in a book-entry transfer account register pursuant to the provisions of Article 165, paragraph (3), item (v), indicating the fact that the book-entry transfer share option comes under trust property, it is not permissible to assert against a third party that the share option comes under trust property.

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

(Presumed Rights of Participants)

Article 177 A participant is presumed to be the lawful holder of the rights under a book-entry transfer share option that has been entered or recorded in their account (excluding the purchase account prescribed in Article 183, paragraph (1); limited to their own account, if the account is that of an account management institution).

(Acquisition in Good Faith)

Article 178 A participant (including a book-entry transfer institution with an institution-held account) that has had an entry or record made in its account (limited to their own account, if the account is that of an account management institution), based on an application for book-entry transfer, of the increase in book-entry transfer share options of a particular issue acquires the rights associated with the entry or record of the increase in the book-entry transfer share options of that issue; provided, however that this does not apply if the participant has acted in bad faith or with gross negligence.

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

Article 179 (1) If the total number of book-entry transfer share options of the issue prescribed in the preceding Article which all holders hold based on acquisitions of book-entry transfer share options prescribed in that Article comes to exceed the total issued number of book-entry transfer share options of that issue (excluding the number of book-entry transfer share options that have been cancelled or exercised), and the aggregate number referred to in item (i) exceeds the total issued number referred to in item (ii), the book-entry transfer institution assumes the obligation to acquire book-entry transfer share options in that issue until its holdings reach the number in overage (meaning the number obtained by deducting the total issued number referred to in item (ii) from the aggregate number referred to in item (i)):

- (i) the aggregate number of book-entry transfer share options of the issue which have been entered or recorded in the accounts of the participants of the book-entry transfer institution, in the book-entry transfer account register kept by that book-entry transfer institution;
- (ii) the total issued number of book-entry transfer share options of that issue (excluding the number of book-entry transfer share options that have been cancelled or exercised).

(2) If there is a number prescribed in item (i) of the preceding paragraph for which an entry or record of the increase or reduction has been made in the account prescribed in that item, and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished, and it is proved that no one has acquired book-entry transfer share options pursuant to the provisions of the preceding Article in the number for which the entry or record has been made, that number is treated as if no entry or record was made.

(3) If a book-entry transfer institution acquires book-entry transfer share options pursuant to the provisions of paragraph (1), it assumes the obligation to immediately manifest the intention to renounce all of those book-entry transfer share options to the issuer.



- (4) The book-entry transfer share options prescribed in the preceding paragraph are extinguished when an intention to renounce the options is manifested pursuant to that paragraph.
- (5) If a book-entry transfer institution manifests the intention to renounce the book-entry transfer share options pursuant to the provisions of paragraph (3), it must immediately enter deletions for those book-entry transfer share options in the book-entry transfer account register.

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

Article 180 (1) In the case prescribed in paragraph (1) of the preceding Article, if there is an account management institution for which the aggregate number referred to in item (i) comes to exceed the number referred to in item (ii), the account management institution has the obligation to manifest the intention to renounce all of the book-entry transfer share options of that issue in a number equal to the overage (meaning the number obtained by deducting the number referred to in item (ii) from the aggregate number referred to in item (i)) to the issuer:

- (i) the total number of book-entry transfer share options of the issue which have been entered or recorded in the accounts of the participants of the account management institution, in the book-entry transfer account register kept by that account management institution;
  - (ii) the number of book-entry transfer share options of the issue which have been entered or recorded in the customer account under the account of the account management institution, in the book-entry transfer account register kept by its immediately superior institution.
- (2) The provisions of paragraph (2) of the preceding Article apply *mutatis mutandis* to the following particulars:
    - (i) the number prescribed in item (i) of the preceding paragraph; and
    - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record of the increase or reduction has been made in a customer account prescribed in that item and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished.
  - (3) In the case referred to in paragraph (1), if an account management institution does not hold book-entry transfer share options of the issue prescribed in that paragraph in a number equal to the overage prescribed in that paragraph, it assumes the obligation to acquire book-entry transfer share options in that issue until its holdings reach the number in overage, before manifesting the intention to renounce the options pursuant to the provisions of that paragraph.
  - (4) If an account management institution has manifested the intention to renounce the options pursuant to the provisions of paragraph (1), it must

immediately notify its immediately superior institution of the following particulars:

- (i) the fact that it has manifested the intention to renounce the options;
  - (ii) the issue and the number of book-entry transfer share options for which it has manifested the intention to renounce the options.
- (5) When the immediately superior institution referred to in the preceding paragraph receives the notice referred to in that paragraph, it must immediately make the following entries or records regarding the issue of book-entry transfer share options set forth in item (ii) of that paragraph, in the book-entry transfer account register that it keeps:
- (i) an entry or record in the account of the account management institution referred to in the preceding paragraph in the institution's own account, of the reduction in the number set forth in item (ii) of the that paragraph;
  - (ii) an entry or record in the customer account under the account referred to in the preceding item, of the increase in the number set forth in item (ii) of the preceding paragraph.

(Handling in the Case of Non-Performance of Obligations by Book-Entry Transfer Institutions Concerning Entries or Records of Overages)

Article 181 (1) In the case prescribed in Article 179, paragraph (1), until the book-entry transfer institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, it is not permissible for each share option holder to assert a share option against the issuer regarding the part of the book-entry transfer share options of that issue that the holder holds which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to in item (ii) is multiplied by the number in overage prescribed in paragraph (1) of that Article (or the number obtained by deducting the number related to the performance of the obligation, if the obligation referred to in paragraph (3) of that Article has been partially performed):

- (i) the number of book-entry transfer share options of the issue that the share option holder holds (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to renounce book-entry transfer share options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number of obtained by deducting the maximum number ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that holder (limited to the holder of a book-entry transfer share option that has been entered or recorded in an account opened by that subordinate institution or

- by its subordinate institution) for the subordinate institution);
- (ii) the total number of book-entry transfer share options of the issue that all share option holders hold (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to renounce book-entry transfer share options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of book-entry transfer share options that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the subordinate institution).
- (2) In the case prescribed in Article 179, paragraph (1), the book-entry transfer institution prescribed in that paragraph assumes the duty to indemnify each share option holder for damage caused by the non-performance of the obligations referred to in that paragraph and paragraph (3) of that Article.

(Handling in the Case of Non-performance of Obligations by Account

Management Institutions Concerning Entries or Records of Overages)

Article 182 (1) In the case prescribed in Article 180, paragraph (1), until the account management institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a share option holder (limited to the holder of a book-entry transfer share option that has been entered or recorded in an account opened by the account management institution or by its subordinate institution) may not assert a share option against the issuer regarding the part of the book-entry transfer share options of that issue that the holder holds which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to in item (ii) is multiplied by the number in overage prescribed in paragraph (1) of that Article (or the number obtained by deducting the number related to the performance, if the obligation referred to in that paragraph has been partially performed) (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article):

- (i) the number of book-entry transfer share options of the issue that the share option holder holds (or, if the account management institution has a subordinate institution that is required to manifest the intention to renounce book-entry transfer share options of that issue pursuant to the provisions of Article 180, paragraph (1), the number obtained by deducting the maximum number ascribable to the account management institution, for the overage prescribed in that paragraph in respect of that holder (limited to the holder

- of a book-entry transfer share option that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution) for the subordinate institution);
- (ii) the total number of book-entry transfer share options of the issue held by all of the holders of book-entry transfer share options that have been entered or recorded in accounts opened by the account management institution or by its subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest the intention to renounce book-entry transfer share options of that issue pursuant to the provisions of Article 180, paragraph (1), the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution, for the overage prescribed in that paragraph in respect of all of the holders of book-entry transfer share options that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the subordinate institution).
- (2) In the case prescribed in Article 180, paragraph (1), the account management institution prescribed in that paragraph assumes the duty to indemnify the share option holders prescribed in the preceding paragraph for damage caused by the non-performance of the obligations referred to in paragraph (1) or (3) of that Article.

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

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

Article 183 (1) If an issuer of book-entry transfer share options seeks to make any amendment to the articles of incorporation set forth in the items of Article 118, paragraph (1) of the Companies Act, perform an entity conversion, a merger, conclusion of an absorption-type split agreement, an incorporation-type split, conclusion of a share exchange agreement, or a share transfer, the issuer must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer share options subject to the exercise of appraisal rights on share options (meaning the exercise of appraisal rights on share options under the provisions of Article 118, paragraph (1), Article 777, paragraph (1), Article 787, paragraph (1), or Article 808, paragraph (1) of that Act; hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Section); provided, however, that this does not apply if the issuer has already requested for a purchase account to be opened or there is no holder of book-entry transfer share options that is entitled to exercise appraisal rights on share options in relation to these acts.

- (2) If the issuer referred to in the preceding paragraph gives a notice under the provisions of Article 118, paragraph (3), Article 777, paragraph (3), Article 787, paragraph (3), or Article 808, paragraph (3) of the Companies Act, the issuer must also give notice of the purchase account.
- (3) If the issuer referred to in paragraph (1) issues public notice pursuant to the provisions of Article 118, paragraph (4), Article 777, paragraph (4), Article 787, paragraph (4), or Article 808, paragraph (4) of the Companies Act regarding the information which is required to be given notice, in lieu of giving notice under the provisions of Article 118, paragraph (3), Article 777, paragraph (3), Article 787, paragraph (3), or Article 808, paragraph (3) of that Act, the issuer must also issue public notice of the purchase account.
- (4) If holders of book-entry transfer share options seek to exercise the appraisal rights on share options for their book-entry transfer share options, they must file an application for a book-entry transfer of the book-entry transfer share options by using the purchase account as the transferee account.
- (5) Until the day on which any amendment to the articles of incorporation set forth in the items of Article 118, paragraph (1) of the Companies Act, entity conversion, absorption-type merger, absorption-type split, or share exchange takes effect, or until the incorporation date of the company that is incorporated as a result of a consolidation-type merger, incorporation-type split, or share transfer, the issuer referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer share options that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on share options in relation to those acts) by using the issuer's account as the transferee account.
- (6) If the issuer referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on share options by a holder of book-entry transfer share options that has filed an application referred to in paragraph (4), the issuer must, without delay, file an application for a book-entry transfer of the book-entry transfer share options that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on share options that have been withdrawn) by using the account of the share option holder as the transferee account.
- (7) The issuer referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer share options that have been entered or recorded in a purchase account if the transferee account is other than that of the issuer or of the holder of the book-entry transfer share options that has filed an application referred to in paragraph (4).
- (8) A participant other than the holder of book-entry transfer share options that files an application referred to in paragraph (4) may not apply for a book-entry transfer that uses the purchase account as the transferee account.

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

- Article 184 (1) The issuer of book-entry transfer share options must indicate the fact that the provisions of this Act apply to those book-entry transfer share options in the notice given pursuant to the provisions of Article 242, paragraph (1) of the Companies Act concerning those book-entry transfer share options.
- (2) Notwithstanding the provisions of Article 249, item (iii) of the Companies Act, a share option register that is for book-entry transfer share options must enter or record the fact that the provisions of this Act apply to the details and the number of those book-entry transfer share options, and the book-entry transfer share options.
- (3) A person making an offer to subscribe for book-entry transfer share options must state in the document referred to in Article 242, paragraph (2) of the Companies Act the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer share options, or must indicate that account to the issuer of those book-entry transfer share options at the time of concluding the agreement referred to in Article 244, paragraph (1) of that Act.
- (4) A person seeking to be delivered book-entry transfer share options pursuant to the request under the provisions of the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company that delivers the book-entry transfer share options the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer share options.

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

- Article 185 (1) If the issuer of book-entry transfer share options that constitute share options subject to call (meaning share options subject to call prescribed in Article 273, paragraph (1) of the Companies Act; hereinafter the same applies in this Chapter and the following Chapter) seeks to acquire part of those book-entry transfer share options, the issuer must file an application for the book-entry transfer of those share options that uses their own account as the transferee account after the day on which the grounds referred to in Article 236, paragraph (1), item (vii), sub-item (a) of that Act have arisen, without delay. In such a case, the application is to be filed with the immediately superior institution of the participant whose account (excluding a customer account) the entry or record of the reduction is to be made by the book-entry transfer.
- (2) Notwithstanding the provisions of Article 275, paragraph (1) of the Companies Act, in the case referred to in first sentence of the preceding paragraph, an issuer acquires the book-entry transfer share options at the time

that an entry or record of the increase in the number of share options has been made in the holdings column of their account, based on the application for book-entry transfer referred to in the first sentence of that paragraph.

- (3) If the issuer of book-entry transfer share options constituting share options subject to call seeks to acquire all of those book-entry transfer share options, they must give the notice referred to in Article 171, paragraph (1) (hereinafter referred to as the "notice of the deletion of all entries or records" in this Chapter) after the day on which the grounds referred to in Article 236, paragraph (1), item (vii), sub-item (a) of the Companies Act have arisen, using that day as the day referred to in Article 171, paragraph (1), item (ii), without delay.
- (4) Notwithstanding the provisions of Article 275, paragraph (1) of the Companies Act, an issuer acquires the book-entry transfer share options referred to in the preceding paragraph when the entries or records of those book-entry transfer share options have been deleted by the notice of the deletion of all entries or records.

(Notice to All Share Option Holders)

- Article 186 (1) If a book-entry transfer institution or account management institution makes the deletion pursuant to the provisions of Article 171, paragraph (3) (including as applied *mutatis mutandis* pursuant to paragraph (4) of that Article), the book-entry transfer institution must promptly notify the issuer of the names and addresses of holders of the deleted book-entry transfer share options, the issue and the number of share options held by those holders, and any other information specified by order of the competent ministry (referred to as the "information to be notified" in paragraph (5)).
- (2) When giving a notice pursuant to the preceding paragraph, a book-entry transfer institution must give the notice by treating the person prescribed in the following items in accordance with the category of cases set forth in each item as a share option holder:
    - (i) if an entry or record has been made for a book-entry transfer share option referred to in the preceding paragraph in the holdings column of a participant's account (excluding a customer account and a purchase account) in the book-entry transfer account register that the book-entry transfer institution or its subordinate institution keeps: the participant with that account;
    - (ii) if an entry or record has been made for a book-entry transfer share option referred to in the preceding paragraph in the pledge column of the account of the participant prescribed in the preceding item: a person whose name has been entered or recorded in the pledge column as the share option holder;
    - (iii) if book-entry transfer share options referred to in the preceding paragraph

have been entered or recorded in a purchase account: the holder of the book-entry transfer share options that has filed an application referred to in Article 183, paragraph (4) for the book-entry transfer share options (or the participant with the purchase account, if it is after the purchase of the book-entry transfer share options becomes effective).

- (3) In the case referred to in Article 181, paragraph (1) or Article 182, paragraph (1), if a book-entry transfer institution gives the notice referred to in paragraph (1), it must indicate the number of book-entry transfer share options that have been entered or recorded in the account of a participant of the book-entry transfer institution or its subordinate institution, which is not possible to assert against the issuer pursuant to the provisions of Article 181, paragraph (1) or Article 182, paragraph (1).
- (4) If an account management institution is asked by its immediately superior institution to report the necessary information for giving the notice referred to in paragraph (1) (including the information prescribed in the preceding paragraph) concerning the book-entry transfer share options that have been entered or recorded in the account of a participant of the account management institution or its subordinate institution, the account management institution must promptly report the information.
- (5) If there is a legitimate reason for doing so, an issuer may demand that a book-entry transfer institution give notice of the information to be notified concerning share option holders on the fixed date set by the issuer, by paying the expense specified by the book-entry transfer institution. In such a case, the provisions of the preceding paragraphs apply *mutatis mutandis*.

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

- Article 187 (1) If an issuer seeks to cancel their book-entry transfer share options, they must file an application for the deletion of those book-entry transfer share options.
- (2) The cancellation of book-entry transfer share options takes effect on the day that an entry or record of the reduction referred to in Article 170, paragraph (4), item (i) has been made.

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

- Article 188 A participant that exercises a book-entry transfer share option must file an application for the deletion of the book-entry transfer share option.

(Special Provisions of the Companies Act on Mergers)

- Article 189 (1) If a surviving company or wholly owning company seeks to issue book-entry transfer share options at the time of the absorption-type merger or share exchange, or an incorporated company or wholly owning company seeks



- to issue book-entry transfer share options at the time of the consolidation-type merger or share transfer, the company must give the notice pursuant to the provisions of Article 167, paragraph (1) by using the effective date of merger or date of incorporation as the fixed date referred to in item (i) of that paragraph.
- (2) If a surviving company or wholly owning company seeks to transfer book-entry transfer share options at the time of the absorption-type merger or share exchange, the company must file an application for book entries to be made for those book-entry transfer share options after the effective date of merger or date of incorporation without delay.
- (3) When an issuer of book-entry transfer share options seeks to implement a merger (but only one in which the issuer will be dissolved), absorption-type split (but only one that is prescribed in Article 758, item (v) of the Companies Act), incorporation-type split (but only one that is prescribed in Article 763, paragraph (1), item (x) of that Act), share exchange (but only one that is prescribed in Article 768, paragraph (1), item (iv) of that Act), or share transfer (but only one that is prescribed in Article 773, paragraph (1), item (ix) of that Act), the issuer must give a notice of the deletion of all entries or records by using the day when any of those acts (hereinafter referred to as a "merger, split, exchange, or transfer" in this Article) takes effect or the incorporation date of the company that is incorporated as a result of the merger, split, exchange, or transfer as the date referred to in Article 171, paragraph (1), item (ii).
- (4) If membership companies merge and the company surviving the absorption-type merger or the company incorporated through the consolidation-type merger seeks to deliver book-entry transfer share options at the time of the merger, the company must specify in the merger agreement, the accounts (excluding a special account) that have been opened for the members of the membership company in which book entries are to be made for those book-entry transfer share options.
- (5) If the company succeeding in an absorption-type split or the company incorporated in an incorporation-type split seeks to deliver book-entry transfer share options at the time of the split, the company must specify in the absorption-type split agreement or incorporation-type split plan, the account (excluding a special account) that has been opened for the stock company that will implement a company split in which book entries are to be made for those book-entry transfer share options.

(Special Provisions of the Companies Act on Share Delivery)

Article 189-2 (1) If the share options referred to in Article 774-3, paragraph (1), item (v), sub-item (b) or item (viii), sub-item (c) of the Companies Act are book-entry transfer share options, the parent company resulting from a share

delivery must indicate that the provisions of this Act apply to those book-entry transfer share options, in the notice pursuant to the provisions of Article 774-4, paragraph (1) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).

- (2) In the case referred to in the preceding paragraph, a person making an offer referred to in Article 774-4, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act; hereinafter the same applies in this paragraph) (excluding a person that will not become a holder of book-entry transfer share options issued by the parent company resulting from a share delivery pursuant to the provisions on the particulars set forth in Article 774-3, paragraph (1), item (vi) or (ix) of that Act) must state in the document referred to in Article 774-4, paragraph (2) of that Act, the account opened for them in which book entries are to be made for the book-entry transfer share options (excluding a special account) or must indicate the account to the issuer of those book-entry transfer share options at the time of concluding the agreement referred to in Article 774-6 of that Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).
- (3) If the parent company resulting from a share delivery seeks to transfer book-entry transfer share options at the time of the share delivery, the company must file an application for book entries to be made for those book-entry transfer share options after the day on which the share delivery takes effect without delay.

(Exclusion from Application)

Article 190 The provisions of Article 257, paragraph (1), Article 259, paragraph (1), Article 260, paragraphs (1) and (2), Article 268, paragraph (1), Article 269, paragraph (1), Article 270, paragraphs (1) through (3), and Article 272-2, paragraphs (1) through (3) of the Companies Act do not apply to book-entry transfer share options.

## **Section 5 Miscellaneous Provisions**

Article 191 (1) If the notice referred to in Article 166, paragraph (1) has been given, the book-entry transfer institution that has been notified must immediately take measures that enable the participants to learn the information set forth in item (ix) of that paragraph concerning the issue of book-entry transfer share options related to the notice by the means prescribed by Cabinet Order.

- (2) The expenses incurred for the measures referred to in the preceding paragraph are to be borne by the issuer of the book-entry transfer share options referred to in that paragraph.

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

### Section 1 General Rules

(Attribution of Rights)

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

(Non-Issuance of Corporate Bond Certificates with Share Options)

- Article 193 (1) Corporate bond certificates with share options (meaning corporate bond certificates with share options prescribed in Article 249, item (ii) of the Companies Act) may not be issued for book-entry transfer bonds with share options.
- (2) Notwithstanding the provisions of the preceding paragraph, if a book-entry transfer institution that handles book-entry transfer bonds with share options has the designation under Article 3, paragraph (1) revoked pursuant to the provisions of Article 22, paragraph (1) or the designation expires pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the book-entry transfer business of the book-entry transfer institution, or if a book-entry transfer institution that handles book-entry transfer bonds with share options ceases to handle those book-entry transfer bonds with share options, a person holding book-entry transfer bonds with share options (hereinafter referred to as the "holder of book-entry transfer bonds with share options" in this Chapter) may ask the issuer to issue corporate bond certificates with share options.
- (3) The corporate bond certificates with share options referred to in the preceding paragraph are to be in bearer form.

## Section 2 Book-Entry Transfer Account Registers

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

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

(2) The account of an account management institution in a book-entry transfer account register is subdivided into the following accounts:

(i) an account in which entries or records are made for book-entry transfer bonds with share options under which the account management institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter); and

(ii) an account in which entries or records are made for book-entry transfer bonds with share options under which the participants of the account management institution or of its subordinate institution holds rights (hereinafter referred to as a "customer account" in this Chapter).

(3) Entries or records of the following information are made for each account (excluding a customer account) in a book-entry transfer account register:

(i) the name and address of the participant; and

(ii) the issuer's trade name and the type of book-entry transfer bonds with share options ( if the share option embedded in the book-entry transfer bond has already been exercised or the corporate bond itself has already been redeemed, including that fact; hereinafter referred to as the "issue" in this Chapter);

(iii) the number of book-entry transfer bonds with share options by issue (other than those set forth in the following item);

(iv) if a participant is a pledgee, that fact, the number of book-entry transfer bonds with share options underlying the pledge by issue, the number of book-entry transfer bonds with share options of each issue for each holder of book-entry transfer bonds with share options, and the names and addresses of the holders of those book-entry transfer bonds with share options;

(v) if a participant is the trustee of a trust, that fact, the number of book-entry transfer bonds with share options referred to in the preceding two items which constitute trust property; and

(vi) other information specified by Cabinet Order.

(4) Entries or records of the following information are made for each customer account in a book-entry transfer account register:

(i) the information set forth in items (i) and (ii) of the preceding paragraph;

(ii) the number of book-entry transfer bonds with share options, by issue; and

(iii) other information specified by Cabinet Order.

(5) If a book-entry transfer institution opens an institution-held account, it must

create a subdivision for that account in the book-entry transfer account register and enter or record the following information:

- (i) the issue;
  - (ii) the number of book-entry transfer bonds with share options by issue; and
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one specified by order of the competent ministry).

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

Article 195 (1) The issuer of book-entry transfer bonds with share options of a particular issue must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information after the date on which they issue those book-entry transfer bonds with share options without delay:

- (i) the issue of book-entry transfer bonds with share options that they have issued;
- (ii) the names of the participants that are the holders or pledgees of the book-entry transfer bonds with share options referred to in the preceding item;
- (iii) the accounts opened for the participants referred to in the preceding item, in which book entries are to be made for the book-entry transfer bonds with share options referred to in item (i);
- (iv) the number of book-entry transfer bonds with share options referred to in item (i) for each participant (other than that set forth in the following item);
- (v) if a participant is a pledgee, that fact, the number of book-entry transfer bonds with share options referred to in item (i) underlying the pledge for each participant, and the number of those bonds underlying the pledge for each holder of book-entry transfer bonds with share options;
- (vi) the names and addresses of the holders of book-entry transfer bonds with share options referred to in the preceding item;
- (vii) if a participant is the trustee of a trust, that fact and the number of book-entry transfer bonds with share options referred to in items (iv) and (v) which constitute trust property;
- (viii) information set forth in paragraph (3), item (vi) of the preceding Article, which Cabinet Order prescribes as information that the issuer is able to learn; and
- (ix) the total number of book-entry transfer bonds with share options referred to in item (i), the total amount of those book-entry transfer bonds with share options, the period during which the share options embedded in the book-entry transfer bonds with share options may be exercised, and the information specified by order of the competent ministry.

- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately take the following measures for the issue of book-entry transfer bonds with share options which has been notified:
- (i) make the following entries or records, if the book-entry transfer institution is the one that opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or record of the increase in the number referred to in item (iv) of the preceding paragraph for a participant referred to in item (ii) of that paragraph (limited to one that is a holder of book-entry transfer bonds with share option referred to in that item), in the column of the account in which the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
    - (b) an entry or record of the increase in the number of book-entry transfer bonds with share options referred to in item (v) of the preceding paragraph and the number of those bonds ascribable to each bondholder for a participant referred to in item (ii) of that paragraph (limited to one that is a pledgee referred to in that item), in the column of the account in which the information set forth in paragraph (3), item (iv) of the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
    - (c) an entry or record of the information set forth in item (vi) of the preceding paragraph in the pledge column of the account;
    - (d) an entry or record of the increase in the number of book-entry transfer bonds with share options constituting trust property which is referred to in item (vii) of the preceding paragraph in the account; and
    - (e) an entry or record of the information set forth in item (viii) of the preceding paragraph in the account;
  - (ii) make an entry or record of increase in the sum of the number referred to in item (iv) of the preceding paragraph and the number of book-entry transfer bonds with share options referred to in item (v) of that paragraph for a participant referred to in item (ii), in the customer account under the account of the book-entry transfer institution's immediately subordinate institution that is the superior institution of the participant, and notify the immediately subordinate institution of the information set forth in items (i) through (viii) of that paragraph, if the book-entry transfer institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding paragraph apply mutatis mutandis to the account

management institution that has received the notice.

(Procedures If the Issuer is Unable to Identify the Account of the Holder of Corporate Bonds with Share Options)

Article 196 (1) If a company seeks to deliver book-entry transfer bonds with share options of a particular issue and is unable to identify the account that has been opened for the holder or pledgee of those bonds in which book entries are to be made for book-entry transfer bonds with share options, the company (or the person specified by order of the competent ministry as being equivalent to the company, if it is to deliver book-entry transfer bonds with share options at the time of a consolidation-type merger or in any other case specified by order of the competent ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that order of the competent ministry prescribes as the one that will become the holder or pledgee of those book-entry transfer bonds with share options, of the following information by one month prior to the fixed date referred to in item (i):

- (i) the fact that the company will give the notice referred to in paragraph (1) of the preceding Article or file an application for a book-entry transfer with regard to the holder of book-entry transfer bonds with share options (other than a holder of book-entry transfer bonds with share options underlying a pledge, if there is a pledgee) or pledgee of the book-entry transfer bonds with share options on a fixed date;
  - (ii) the fact that the notifier must be notified of the account opened for the holder of book-entry transfer bonds with share options or pledgee referred to in the preceding item (other than an account opened by a book-entry transfer institution or account management institution based on a request referred to in the main clause of paragraph (3)) in which book entries are to be made for book entries of book-entry transfer bonds with share options by the fixed date referred to in that item;
  - (iii) the name and address of the book-entry transfer institution or account management institution that opens accounts based on the request referred to in the main clause of paragraph (3); and
  - (iv) other information specified by order of the competent ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than a company referred to in that paragraph, the notifier must give notice to that company on the fixed date referred to in item (i) of that paragraph, of the account referred to in item (ii) of that paragraph which the holder of book-entry transfer bonds with share options or pledgee referred to in that item has notified.
- (3) If a holder of book-entry transfer bonds with share options or pledgee referred to in paragraph (1), item (i) does not notify the notifier of the account referred

to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, a company must request the book-entry transfer institution or account management institution referred to in item (iii) of that paragraph to open an account in which book entries are to be made for book-entry transfer bonds with share options (hereinafter referred to as a "special account" in this chapter) for the holder of book-entry transfer bonds with share options or the pledgee; provided, however, that this does not apply if there is a special account that the company has requested be opened for the holder of book-entry transfer bonds with share options or the pledgee.

- (4) If a company is the issuer of corporate bonds with share options that constitute book-entry transfer bonds with share options referred to in paragraph (1) and has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the book-entry transfer institution with regard to those corporate bonds with share options.
- (5) In the case prescribed in paragraph (1), when the company gives the notice referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) which has been notified by the holder of book-entry transfer bonds with share options or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.

#### (Making Book Entry Transfers)

- Article 197 (1) If an application for a book-entry transfer involving book-entry transfer bonds with share options of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (8) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction or increase in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction or increase.
- (2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is an application that the participant files with its immediately superior institution for whom the reduction is entered or recorded in their account (excluding a customer account) by the book-entry transfer.
  - (3) A person filing an application referred to in paragraph (1) must indicate the following information in that application:
    - (i) the issue and the number of book-entry transfer bonds with share options for which the reduction and increase are required to be entered or recorded when the book-entry transfer is made;



- (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the participant referred to in the preceding paragraph;
  - (iii) the names and addresses of the holders of book-entry transfer bonds with share options for which entries or records is required to be made for the book-entry transfer bonds with share options, and the number for each holder for the number of book-entry transfer bonds with share options referred to in item (i) (hereinafter referred to as the "number subject to book-entry transfer" in this Article), if the reduction is to be entered or recorded in the pledge column of the account referred to in the preceding item;
  - (iv) the account in which the entry or record of the increase is required to be made (excluding a customer account; hereinafter referred to as the "transferee account" in this Chapter);
  - (v) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (excluding an institution-held account);
  - (vi) the number subject to book-entry transfer for each holder of book-entry transfer bonds with share options and the names and addresses of those holders, if the increase is to be entered or recorded in the pledge column of the transferee account (excluding an institution-held account).
- (4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
- (i) make the following entries or records in the holdings column or pledge column of the account of the participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph:
    - (a) an entry or record of the reduction in the number subject to book-entry transfer;
    - (b) an entry or record of the reduction in the number for each holder of book-entry transfer bonds with share options referred to in item (iii) of the preceding paragraph, if the entry or record of the reduction referred to in sub-item (a) is to be made in the pledge column.
  - (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of item (i) and items (iv) through (vi) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the holdings column or the pledge column indicated pursuant to the provisions of item (v) of the preceding paragraph (or in the column in which the information set forth in Article 194, paragraph (5), item

- (ii) is entered or recorded, for an institution-held account; hereinafter referred to as the "transferee column" in this Article) of the transferee account, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) in the case referred to in the preceding item, to make the following entries or records in the pledge column, if the transferee column is the pledge column:
    - (a) an entry or record of the increase in the number for each holder of book-entry transfer bonds with share options referred to in item (vi) of the preceding paragraph;
    - (b) an entry or record of the name and address of the holder of book-entry transfer bonds with share options;
  - (v) make an entry or record of the increase in the number subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information indicated pursuant to the provisions of item (i) and items (iv) through (vi) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the reduction in the number subject to book-entry transfer in the customer account under the account of the account management institution that has given the notice;
  - (ii) to give notice to the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is not the common immediately superior institution for the book-entry transfer;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) in the case referred to in the preceding item, to make the entries or records set forth in item (iv), sub-items (a) and (b) of the preceding paragraph in the

- pledge column, if the transferee column is the pledge column; and
- (v) make an entry or record of the increase in the number subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the book-entry transfer institution or account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is the common immediately superior institution for the book-entry transfer and is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (7) If the notice referred to in paragraph (4), item (v) or paragraph (5), item (v) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) has been given, the account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number subject to book-entry transfer in the transferee column of the transferee account, if the account management institution is the institution that opened the transferee account;
  - (ii) in the case referred to in the preceding item, to make the entries or records set forth in paragraph (4), item (iv), sub-items (a) and (b) in the pledge column, if the transferee column is the pledge column;
  - (iii) make an entry or record of the increase in the number subject to book-entry transfer in the customer account under the account of the immediately subordinate institution to the account management institution that is the superior institution of the participant with that transferee account, and notify the immediately subordinate institution of the information which has been notified pursuant to the provisions of paragraph (4), item (v) or paragraph (5), item (v), if the account management institution is not the one that opened the transferee account.
- (8) The provisions of the preceding paragraph apply mutatis mutandis to an account management institution that received the notice referred to in item (iii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

(Special Provisions on Book Entry Transfer Procedures for Book-Entry

Transfer Bonds with Share Options That Have Been Entered or Recorded in a Special Account)

Article 198 (1) A participant may not file an application for a book-entry transfer involving a book-entry transfer bond with share options that has been entered or recorded in a special account if the transferee account is other than that of the participant or of the issuer of the book-entry transfer bond with share options.

(2) If, before the notice referred to in Article 195, paragraph (1) is given or an application for a book-entry transfer involving book-entry transfer bonds with share options of a particular issue is filed, a person that acquired shares in a company disappearing in a merger but that cannot be delivered the book-entry transfer bonds with share options that replace those shares at the time of merger because no entry or record has been made for the person in the shareholder register, or any other person specified by order of the competent ministry (hereinafter referred to as the acquirer or other such person" in this Article) files a joint request together with the participant with the special account in which the book-entry transfer bonds with share options have been entered or recorded, after the notice is given or the application is filed, the issuer must take the following actions. The same applies if the acquirer or other such person files a request by attaching an authenticated copy or certified copy of an enforceable judgment that orders the participant to file the request or by attaching any other document specified by order of the competent ministry as being equivalent to the copy, or in cases prescribed by order of the competent ministry as those that are unlikely to harm the interests of the participant and other interested persons even if the issuer takes the following actions upon the request by the acquirer or other such person:

(i) filing a request referred to in the main clause of Article 196, paragraph (3) for the acquirer or other such person;

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

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

(Transfer of Special Account)

Article 198-2 (1) The issuer of book-entry transfer bonds with share options that have been entered or recorded in a special account may request a book-entry transfer institution or account management institution other than the book-entry transfer institution or account management institution that has opened the special account (referred to as the "pre-transfer book-entry transfer

institution or account management institution" in the following paragraph and paragraph (3)) to open a special account in which book entries are to be made for the book-entry transfer bonds with share options for the participants with the former special account.

- (2) The request referred to in the preceding paragraph must be filed collectively for all participants with the special account opened by the pre-transfer book-entry transfer institution or account management institution in which book entries are to be made for the book-entry transfer bonds with share options (referred to as the "pre-transfer special account" in the following paragraph and paragraph (4)); provided, however, that this does not apply to the participant in cases where the special account that the issuer referred to in the preceding paragraph has requested to be opened for the participant exists at the book-entry transfer institution or account management institution to which the request referred to in that paragraph has been filed.
- (3) The issuer referred to in paragraph (1) may file an application with the pre-transfer book-entry transfer institution or account management institution for a book-entry transfer, using the post-transfer special account (meaning the special account opened upon the request referred to in that paragraph or the special account referred to in the proviso to the preceding paragraph; the same applies in the following paragraph) as the transferee account, with regard to all book-entry transfer bonds with share options entered or recorded in the pre-transfer special account.
- (4) If the issuer referred to in paragraph (1) files an application referred to in the preceding paragraph, they must, without delay, notify the participants with the pre-transfer special account of the name and address of the book-entry transfer institution or account management institution that has opened the post-transfer special account.

#### (Making Deletions)

- Article 199 (1) If an application for the deletion of a book-entry transfer bond with share options of a particular issue has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of paragraph (3) in the application, enter or record the reduction in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.
- (2) The application referred to in the preceding paragraph is an application that the participant for whom the reduction resulting from the deletion will be entered or recorded in their account (excluding a customer account) files with their immediately superior institution.
  - (3) A participant that files the application referred to in paragraph (1)

- (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
- (i) the issue and the number of book-entry transfer bonds with share options for which the reduction is required to be entered or recorded when the deletion is made; and
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account.
- (4) If the application referred to in paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
- (i) make an entry or record of the reduction in the number referred to in item (i) of the preceding paragraph in the holdings column or pledge column of the applicant's account, as indicated pursuant to the provisions of item (ii) of the preceding paragraph; and
  - (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the reduction in the number referred to in paragraph (3), item (i) in the customer account under the account of the account management institution that has given the notice;
  - (ii) give notice to the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply *mutatis mutandis* to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), if the notice has been given.
- (7) Unless an issuer goes through a bond administrator or similar person (meaning a bond administrator or similar person prescribed in Article 71, paragraph (7); the same applies in the following paragraph) to redeem book-entry transfer bonds with share options for the holder of book-entry transfer bonds with share options or the pledgee, the issuer may demand that, in exchange for the issuer to redeem book-entry transfer bonds with share options, the holder or the pledgee file an application with their immediately superior institution to make a deletion of the number of book-entry transfer bonds with

share options that corresponds to the amount of corporate bonds for the book-entry transfer bonds with share options that are being redeemed regarding the issue of the book-entry transfer bonds with share options in their account.

- (8) The provisions of the preceding paragraph apply mutatis mutandis when a bond administrator or similar person through which book-entry transfer bonds with share options are redeemed for the holder of book-entry transfer bonds with share options or the pledgee pays the amount redeemed to the holder or the pledgee.

(Deleting All Entries or Records)

Article 200 (1) The issuer of book-entry transfer bonds with share options of a particular issue must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the date referred to in item (ii), when seeking to delete all of the entries or records regarding those book-entry transfer bonds with share options:

(i) the issue of the book-entry transfer bonds with share options;

(ii) the date of the deletion of all of the entries or records regarding those book-entry transfer bonds with share options.

- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer bonds with share options which has been notified.

- (3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must delete the entries or records for all book-entry transfer bonds with share options referred to in item (i) of that paragraph from the account in the book-entry transfer account register that it keeps on the day referred to in item (ii) of that paragraph, in which entries or records have been made for those book-entry transfer bonds with share options (for accounts other than the institution-held account or a customer account, the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter).

- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.

(Making Entries or Records after Expiration of the Period for Exercising Share Options Embedded in Book-Entry Transfer Bonds)

Article 201 After the expiration of the period in which the share options

embedded in book-entry transfer bonds of a particular issue (limited to redeemed corporate bonds) may be exercised, a book-entry transfer institution or account management institution must immediately delete the entries or records for all of those book-entry transfer bonds with share options from the holdings or pledge column in the book-entry transfer account register that it keeps in which entries or records have been made for those book-entry transfer bonds with share options.

(Making Entries or Records for Share Options Embedded in Book-Entry Transfer Bonds)

- Article 202 (1) If a share option embedded in a book-entry transfer bond (excluding a redeemed corporate bond) of a particular issue is exercised, the issuer of the book-entry transfer bonds with share options must give notice of the measures for making an entry or record of the increase in book-entry transfer bonds with share options after the share option is exercised without delay, unless the corporate bonds constituting the book-entry transfer bonds with share options cease to exist due to the exercise of the share option. In such a case, the issuer is to notify the immediately superior institution of the participant for whom the increase will be entered or recorded in their account (excluding a customer account) as a result of those measures.
- (2) If the notice referred to in the first sentence of the preceding paragraph has been given, a book-entry transfer institution or account management institution must enter or record the increase in the book-entry transfer bonds with share options which has been notified in the book-entry transfer account register that it keeps or must give notice to the person concerned, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of the following paragraph in the notice.
- (3) The issuer must indicate the following information in the notice referred to in the first sentence of paragraph (1):
- (i) the name and account of the participant for whom the increase will be entered or recorded in their account as a result of the measures referred to in paragraph (1);
  - (ii) the issue and the number of book-entry transfer bonds with share options for which an entry or record of the increase is required to be made as the result of the measures referred to in paragraph (1); and
  - (iii) other information specified by order of the competent ministry.
- (4) If the notice referred to in the first sentence of paragraph (1) has been given, a book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number referred to in item (ii) of the preceding paragraph in the holdings column of the account referred to



- in item (i) of that paragraph; and
- (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of items (ii) and (iii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number referred to in paragraph (3), item (ii) in the customer account under the account of the account management institution that has given the notice; and
  - (ii) give notice to the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

(Making Entries or Records for Redemption of Book-Entry Transfer Bonds with Share Options)

- Article 203 (1) When a corporate bond associated with a book-entry transfer bond with share options of a particular issue (other than one with extinguished share options) is redeemed, the issuer of the bond must give notice of measures for making an entry or record of the increase in book-entry transfer bonds with share options after their redemption without delay. In such a case, the issuer is to notify the immediately superior institution of the participant for whom the increase will be entered or recorded in their account as a result of those measures.
- (2) If the notice referred to in the first sentence of the preceding paragraph has been given, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of the following paragraph in that notice, enter or record the increase in the book-entry transfer bonds with share options which has been notified, in the book-entry transfer account register that it keeps, or give notice to the person concerned of the increase.
- (3) The issuer must indicate the following information in the notice referred to in the first sentence of paragraph (1):
- (i) the name and account of the participant for whom the increase will be

- entered or recorded in their account as a result of the measures referred to in paragraph (1);
- (ii) the issue and the number of book-entry transfer bonds with share options for which the entry or record of the increase is required to be made as a result of the measures referred to in paragraph (1);
  - (iii) whether the increase will be entered or recorded in the holdings column or the pledge column of the account referred to in item (i); and
  - (iv) other information specified by order of the competent ministry.
- (4) If the notice referred to in the first sentence of paragraph (1) has been given, a book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number referred to in item (ii) of the preceding paragraph in the holdings column or pledge column indicated pursuant to the provisions of item (iii) of that paragraph of the account referred to in item (i) of that paragraph; and
  - (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of items (ii) and (iv) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the increase in the number referred to in paragraph (3), item (ii) in the customer account under the account of the account management institution that has given the notice; and
  - (ii) give notice to the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

(Procedures for Changing Entries or Records)

Article 204 If a book-entry transfer institution or account management institution learns that there has been a change to the information set forth in one of the items of Article 194, paragraph (3), paragraph (4), or paragraph (5) in the book-entry transfer account register that it keeps, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book-Entry Transfers**

(Transfer of Book-Entry Transfer Bonds with Share Options)

Article 205 A transfer of book-entry transfer bonds with share options (other than a claim for interest that has become due without being seized; the same applies in the following Article through Article 209) does not take effect unless the transferee has had an entry or record made in the holdings column of their account (or in the column in which the information set forth in Article 194, paragraph (5), item (ii) is entered or recorded, for the institution-held account), based on an application for book-entry transfer, of the increase in the number of book-entry transfer bonds with share options subject to the transfer.

(Pledge of Book-Entry Transfer Bonds with Share Options)

Article 206 A pledge of book-entry transfer bonds with share options does not take effect unless the pledgee has had an entry or record made in the pledge column of their account, based on an application for book-entry transfer, of the increase in the number of book-entry transfer bonds with share options subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Bonds with Share Options That Come Under Trust Property)

Article 207 (1) Unless an entry or record has been made for a book-entry transfer bond with share options in a book-entry transfer account register pursuant to the provisions of Article 194, paragraph (3), item (v), indicating the fact that the book-entry transfer bond with share options comes under trust property, it is not permissible to assert against a third party that the corporate bond with share options comes under trust property.  
(2) An entry or record in a book-entry transfer account register prescribed in the preceding paragraph is made pursuant to the provisions of Cabinet Order.

(Presumed Rights of Participants)

Article 208 A participant is presumed to be the lawful holder of the rights under a book-entry transfer bond with share options that has been entered or recorded in their account (excluding the purchase account prescribed in Article 215, paragraph (1); limited to their own account, if the account is that of an account management institution).

(Acquisition in Good Faith)

Article 209 A participant (including a book-entry transfer institution with an institution-held account) that has had an entry or record made in their account

(limited to their own account, if the account is that of an account management institution), based on an application for book-entry transfer, of the increase in book-entry transfer bonds with share options of a particular issue acquires the rights associated with the entry or record of the increase in the book-entry transfer bonds with share options of that issue; provided, however that this does not apply if the participant has acted in bad faith or with gross negligence.

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

Article 210 (1) If the total number of book-entry transfer bonds with share options of a particular issue that all holders hold based on acquisitions of book-entry transfer bonds with share options under the preceding Article comes to exceed the total issued number of book-entry transfer bonds with share options of that issue, and the aggregate number referred to in item (i) exceeds the total issued number referred to in item (ii), the book-entry transfer institution assumes the obligation to acquire book-entry transfer bonds with share options in that issue until its holdings reach the number in overage (meaning the number obtained by deducting the total issued number referred to in item (ii) from the aggregate number referred to in item (i)):

- (i) the aggregate number of book-entry transfer bonds with share options of that issue which have been entered or recorded in the accounts of the participants of the book-entry transfer institution, in the book-entry transfer account register kept by that book-entry transfer institution; and
- (ii) the total issued number of book-entry transfer bonds with share options of that issue.

(2) The phrase "the total issued number of book-entry transfer bonds with share options of that issue" in the preceding paragraph means the number prescribed in the following items in accordance with the category of cases set forth in each item (or the total number, in item (iii)):

- (i) if corporate bonds associated with the book-entry transfer bonds with share options referred to in preceding paragraph have already been redeemed: the number of book-entry transfer bonds with share options for which corporate bonds have been redeemed (excluding the redemption of book-entry transfer bonds with share options established pursuant to the provisions of Article 212, paragraph (1) or Article 213, paragraph (1) that it is not possible to assert against the issuer) (excluding the number of book-entry transfer bonds with share options whose share options have been cancelled or exercised);
- (ii) if share options embedded in the book-entry transfer bonds referred to in the preceding paragraph have already been exercised: the number of book-entry transfer bonds with share options whose share options have been exercised (excluding the exercise of share options embedded in book-entry

- transfer bonds established pursuant to the provisions of Article 212, paragraph (1) or Article 213, paragraph (1) that it is not possible to assert against the issuer) (excluding the number of book-entry transfer bonds with share options for which corporate bonds have been redeemed);
- (iii) in cases other than the cases set forth in the preceding two items: the total number of book-entry transfer bonds with share options (excluding the number of corporate bonds for which share options have been exercised or for which corporate bonds have been redeemed).
- (3) If there is a number prescribed in item (i) of the preceding paragraph for which an entry or record of the increase or reduction has been made in the account prescribed in that item, and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished, and it is proved that no one has acquired book-entry transfer bonds with share options pursuant to the provisions of the preceding Article in the number for which the entry or record has been made, that number is treated as if no entry or record was made.
- (4) When a book-entry transfer institution has acquired book-entry transfer bonds with share options pursuant to the provisions of paragraph (1), it assumes the obligation to immediately manifest the intention to renounce all rights to those book-entry transfer bonds with share options to the issuer.
- (5) The rights to book-entry transfer bonds with share options prescribed in the preceding paragraph are extinguished if an intention to renounce the rights is manifested pursuant to that paragraph.
- (6) When a book-entry transfer institution manifests the intention to renounce the rights pursuant to the provisions of paragraph (4) with respect to book-entry transfer bonds with share options, it must immediately make deletions for those book-entry transfer bonds with share options in the book-entry transfer account register.

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

Article 211 (1) In the case prescribed in paragraph (1) of the preceding Article, if there is an account management institution for which the total number referred to in item (i) comes to exceed the number referred to in item (ii), the account management institution assumes the obligation to manifest the intention to renounce all rights to the book-entry transfer bonds with share options of that issue in a number equal to the overage (meaning the total number referred to in item (i), less the number referred to in item (ii)) to the issuer:

- (i) the aggregate number of book-entry transfer bonds with share options of the issue which have been entered or recorded in the accounts of the participants

- of the account management institution, in the book-entry transfer account register kept by that account management institution;
- (ii) the number of book-entry transfer bonds with share options of the issue which have been entered or recorded in the customer account under the account of the account management institution, in the book-entry transfer account register kept by its immediately superior institution.
- (2) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to the following particulars:
- (i) the number specified in item (i) of the preceding paragraph; and
  - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record of the increase or reduction has been made in the customer account prescribed in that item and the rights associated with that entry or record have not arisen, have not been transferred, or have not been extinguished.
- (3) In the case referred to in paragraph (1), if the account management institution does not hold book-entry transfer bonds with share options of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it has assumed the obligation to acquire book-entry transfer bonds with share options in that issue until its holdings reach the amount of the overage, before manifesting the intention to renounce the rights under the provisions of that paragraph.
- (4) When an account management institution has manifested the intention to renounce the rights pursuant to the provisions of paragraph (1), it must immediately notify its immediately superior institution of the following particulars:
- (i) the fact that it has manifested the intention to renounce the rights; and
  - (ii) the issue and the number of book-entry transfer bonds with share options for which it has manifested the intention to renounce the rights.
- (5) When the immediately superior institution referred to in the preceding paragraph receives the notice referred to in that paragraph, it must immediately make the following entries or records regarding book-entry transfer bonds with share options of the issue set forth in item (ii) of that paragraph, in the book-entry transfer account register that it keeps:
- (i) an entry or record in the account of the account management institution referred to in that paragraph in the institution's own account, of the reduction in the number referred to in item (ii) of the preceding paragraph; and
  - (ii) an entry or record in the customer account under the account referred to in the preceding item, of the increase in the number referred to in item (ii) of the preceding paragraph.

(Handling in the Event of Non-Performance of Obligations by a Book-Entry

Transfer Institution Concerning Entries or Records of Overages)

Article 212 (1) In the case prescribed in Article 210, paragraph (1), until the book-entry transfer institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (4) of that Article, it is not permissible for each holder of book-entry transfer bonds with share options to assert against the issuer regarding the part of the book-entry transfer bonds with share options of that issue that they hold which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to in item (ii) is multiplied by the number in overage prescribed in paragraph (1) of that Article (or the number obtained by deducting the number related to the performance of obligation, if the obligation referred to in paragraph (4) of that Article has been partially performed) (hereinafter referred to as the "maximum number ascribable to the book-entry transfer institution" in this Article and Article 221):

- (i) the number of book-entry transfer bonds with share options of the issue that the holder of book-entry transfer bonds with share options holds (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer bonds with share options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number obtained by deducting the maximum number ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that holder (limited to the holder of a book-entry transfer bond with a share option that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution)) for the subordinate institution; and
  - (ii) the total number of book-entry transfer bonds with share options of the issue that all holders hold (or, if the book-entry transfer institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer bonds with share options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of book-entry transfer bonds with share options that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the subordinate institution).
- (2) In the case prescribed in Article 210, paragraph (1), the book-entry transfer institution prescribed in that paragraph assumes the following duties toward each bondholder:

- (i) in the case referred to in the preceding paragraph, the duty to redeem the principal and pay interest in lieu of the issuer, on the part of the book-entry transfer bonds with share options of that issue (other than those that have had the corporate bond redeemed) that each bondholder holds, up to the maximum number ascribable to the book-entry transfer institution;
- (ii) beyond what is set forth in the preceding item, the duty to indemnify the holder for any damage caused by non-performance of obligations referred to in Article 210, paragraph (1) or (4).

(Handling in the Event of Non-Performance of Obligations by Account

Management Institutions Concerning Entries or Records of Overages)

Article 213 (1) In the case prescribed in Article 211, paragraph (1), until the account management institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a holder of book-entry transfer bonds with share options (limited the holder of a book-entry transfer bond with a share option that has been entered or recorded in the account opened by the account management institution or by its subordinate institution) may not assert against the issuer the part of the book-entry transfer bonds with share options of the issue that they hold which corresponds to the number obtained when the percentage of the number referred to in item (i) that accounts for in the total number referred to in item (ii) is multiplied by the number in overage prescribed in paragraph (1) of that Article (or the number obtained by deducting the number related to the performance of obligation, if the obligation referred to in that paragraph has been partially performed) (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article and Article 221):

- (i) the number of book-entry transfer bonds with share options of the issue that the holder of book-entry transfer bonds with share options holds (or, if the account management institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer bonds with share options of that issue pursuant to the provisions of Article 211, paragraph (1), the number obtained by deducting the maximum number ascribable to the account management institution, for the overage prescribed in that paragraph in respect of that holder (limited to the holder of a book-entry transfer bond with a share option that has been entered or recorded in an account opened by that subordinate institution or by its subordinate institution) for the subordinate institution);
- (ii) the total number of book-entry transfer bonds with share options of that issue held by all of the holders of book-entry transfer bonds with share options that have been entered or recorded in accounts opened by that



account management institution or by its subordinate institution (or, if the account management institution has a subordinate institution that is required to manifest the intention to renounce the rights to book-entry transfer bonds with share options of that issue pursuant to the provisions of Article 211, paragraph (1), the number obtained by deducting the sum of the maximum numbers ascribable to the account management institution, for the overage prescribed in that paragraph in respect of all of the holders of book-entry transfer bonds with share options that have been entered or recorded in accounts opened by that subordinate institution or by its subordinate institution for the subordinate institution).

(2) In the case prescribed in Article 211, paragraph (1), the account management institution prescribed in that paragraph assumes the following duties toward a holder of book-entry transfer bonds with a share options prescribed in the preceding paragraph:

(i) in the case referred to in the preceding paragraph, the duty to redeem the principal and pay interest in lieu of the issuer, on the book-entry transfer bonds with share options of that issue (other than those that have had the corporate bond redeemed) that each bondholder holds, up to the maximum number ascribable to the account management institution;

(ii) beyond what is set forth in the preceding item, the duty to indemnify the holder for any damage caused by non-performance of obligations referred to in Article 211, paragraph (1) or (3).

#### (Handling in the Case the Issuer Redeems Book-Entry Transfer Bonds with Share Options in Error)

Article 214 (1) Even if an issuer is acting in good faith, their redemption of principal or payment of interest, in an amount corresponding to the part of the bonds established pursuant to the provisions of Article 212, paragraph (1) or paragraph (1) of the preceding Article that it is not permissible to assert against the issuer does not have the effect of extinguishing the issuer's obligations in respect of other book-entry transfer bonds with share options of that issue.

(2) In the case referred to in the preceding paragraph, a holder of book-entry transfer bonds with a share options does not assume the duty to return the amount of the principal redeemed or interest paid prescribed in that paragraph to the issuer.

(3) If an issuer redeems the principal or pays the interest, prescribed in paragraph (1), they acquires the rights of a holder of book-entry transfer bonds with a share options pursuant to the provisions of Article 212, paragraph (2), item (i) or paragraph (2), item (i) of the preceding Article toward the book-entry transfer institution or account management institution, to the extent of

the amount prescribed in the preceding paragraph.

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

(Special Provisions of the Companies Act on Exercising Appraisal Rights on Corporate Bonds with Share Options)

- Article 215 (1) If an issuer of book-entry transfer bonds with share options seeks to make any amendments to the articles of incorporation set forth in the items of Article 118, paragraph (1) of the Companies Act, perform an entity conversion, a merger, conclusion of an absorption-type split agreement, an incorporation-type split, conclusion of a share exchange agreement, or a share transfer, the issuer must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer bonds with share options subject to the exercise of appraisal rights on bonds with share options (meaning the exercise of appraisal rights on bonds with share options under the provisions of Article 118, paragraphs (1) and (2), Article 777, paragraphs (1) and (2), Article 787, paragraphs (1) and (2), or Article 808, paragraphs (1) and (2) of that Act; hereinafter the same applies in this Article) (the account is referred to as a "purchase account" in this Section); provided, however, that this does not apply if the issuer has already requested for a purchase account to be opened or there is no holder of book-entry transfer bonds with share options that is entitled to exercise appraisal rights on bonds with share options in relation to any of these acts.
- (2) If the issuer referred to in the preceding paragraph gives notice pursuant to the provisions of Article 118, paragraph (3), Article 777, paragraph (3), Article 787, paragraph (3), or Article 808, paragraph (3) of the Companies Act, they must also give notice of the purchase account.
- (3) If the issuer referred to in paragraph (1) issues public notice pursuant to the provisions of Article 118, paragraph (4), Article 777, paragraph (4), Article 787, paragraph (4), or Article 808, paragraph (4) of the Companies Act of the information that they are required to give notice in lieu of giving notice pursuant to the provisions of Article 118, paragraph (3), Article 777, paragraph (3), Article 787, paragraph (3), or Article 808, paragraph (3) of that Act, they must also issue public notice of the purchase account.
- (4) If a holder of book-entry transfer bonds with share options seek to exercise the appraisal rights on bonds with share options for their book-entry transfer bonds with share options, they must apply for a book-entry transfer of the book-entry transfer bonds with share options that use the purchase account as the transferee account.
- (5) Until the day on which any amendment to the articles of incorporation set

forth in the items of Article 118, paragraph (1) of the Companies Act, entity conversion, absorption-type merger, absorption-type split, or share exchange takes effect, or until the incorporation date of the company that is incorporated as a result of a consolidation-type merger, incorporation-type company split, or share transfer, the issuer referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer bonds with share options that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on bonds with share options in relation to any of those acts) by using the issuer's account as the transferee account.

- (6) If the issuer referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on book-entry transfer bonds with share options by a holder of book-entry transfer bonds with share options that has filed an application referred to in paragraph (4), the issuer must, without delay, file an application for a book-entry transfer of the book-entry transfer bonds with share options that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on bonds with share options that are withdrawn) by using the account of the holder as the transferee account.
- (7) The issuer referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer bonds with share options that have been entered or recorded in a purchase account, if the transferee account is other than that of the issuer or that of the holder of the book-entry transfer bonds with share options that has filed an application referred to in paragraph (4).
- (8) A participant other than the holder of book-entry transfer bonds with share options that files an application referred to in paragraph (4) may not apply for a book-entry transfer by using the purchase account as the transferee account.

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

Article 216 (1) The issuer of book-entry transfer bonds with share options must indicate the fact that the provisions of this Act apply to those book-entry transfer bonds with share options in the notice pursuant to the provisions of Article 242, paragraph (1) of the Companies Act concerning those book-entry transfer bonds with share options.

- (2) Notwithstanding the provisions of Article 249, item (iii) of the Companies Act, a share option register for book-entry transfer bonds with share options must state or record the fact that the provisions of this Act apply to the content and number of the share options embedded in the book-entry transfer bonds, and the book-entry transfer bonds with share options.

- (3) A corporate bond register for book-entry transfer bonds with share options must state or record the fact that the provisions of this Act apply to the book-entry transfer bonds with share options.
- (4) A person making an offer to subscribe for book-entry transfer bonds with share options must state in the document referred to in Article 242, paragraph (2) of the Companies Act, the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer bonds with share options, or must indicate this account to the issuer of those book-entry transfer bonds with share options at the time of concluding the agreement referred to in Article 244, paragraph (1) of that Act.
- (5) A person seeking to be delivered book-entry transfer bonds with share options pursuant to a request under the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company delivering the book-entry transfer bonds with share options the account (excluding a special account) that has been opened for them in which book entries are to be made for those book-entry transfer bonds with share options.

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

- Article 217 (1) If the issuer of book-entry transfer bonds with share options constituting share options subject to call seeks to acquire part of those book-entry transfer bonds with share options, they must file an application for book-entry transfer of those book-entry transfer bonds with share options after the day on which the grounds referred to in Article 236, paragraph (1), item (vii), sub-item (a) of the Companies Act have arisen, without delay, using its own account as the transferee account. In such a case, the application is to be filed with the immediately superior institution of the participant for whom an entry or record of the reduction will be made in their account (excluding a customer account) by the book-entry transfer.
- (2) Notwithstanding the provisions of Article 275, paragraphs (1) and (2) of the Companies Act, in the case referred to in the first sentence of the preceding paragraph, the issuer acquires the book-entry transfer bonds with share options at the time that an entry or record is made in the holdings column of their account, based on an application for book-entry transfer referred to in the first sentence of that paragraph, of the increase in the number of the book-entry transfer bonds with share options.
  - (3) If the issuer prescribed in paragraph (1) seeks to acquire all of the book-entry transfer bonds with share options referred to in that paragraph, they must give the notice referred to in Article 200, paragraph (1) (hereinafter referred to as the "notice of the deletion of all entries or records" in this Chapter) after the day on which the grounds referred to in Article 236, paragraph (1), item (vii),

sub-item (a) of the Companies Act have arisen, without delay, using that day as the day referred to in Article 200, paragraph (1), item (ii).

- (4) Notwithstanding the provisions of Article 275, paragraphs (1) and (2) of the Companies Act, the issuer acquires the book-entry transfer bonds with share options referred to in the preceding paragraph when the entries or records in respect of those bonds have all been deleted pursuant to the notice of the deletion of all entries or records.

(Notice to All Holders of Corporate Bonds with Share Options)

Article 218 (1) When a book-entry transfer institution makes the deletion pursuant to the provisions of Article 200, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article), it must promptly notify the issuer of the names and addresses of the holders of the deleted book-entry transfer bonds with share options, the issue and number of book-entry transfer bonds with share options held by them, and other information specified by order of the competent ministry (referred to as "information to be notified" in paragraph (5)).

- (2) When notifying the issuer pursuant to the preceding paragraph, a book-entry transfer institution must give the notice by treating the person prescribed in each of the following items in accordance with the category of cases set forth in the item as the holder of the book-entry transfer bonds with share options:
- (i) if an entry or record has been made for a book-entry transfer bond with share options referred to in the preceding paragraph in the holdings column of the participant's account (excluding a customer account and purchase account) in the book-entry transfer account register that the book-entry transfer institution or its subordinate institution keeps: the participant with that account;
  - (ii) if an entry or record has been made for a book-entry transfer bond with share options referred to in the preceding paragraph in the pledge column of the account of a participant prescribed in the preceding item: the person whose name has been entered or recorded in the pledge column as the holder of the book-entry transfer bond with share options.
  - (iii) if book-entry transfer bonds with share options referred to in the preceding paragraph have been entered or recorded in a purchase account: the holder of the book-entry transfer bonds with share options that has filed an application referred to in Article 215, paragraph (4) for the book-entry transfer bonds with share options (or the participant with the purchase account after the purchase of the book-entry transfer bonds with share options becomes effective).
- (3) In the case referred to in Article 212, paragraph (1) or Article 213, paragraph (1), when a book-entry transfer institution gives the notice referred to in

paragraph (1), it must indicate the number of book-entry transfer bonds with share options that have been entered or recorded in the account of the participant of the book-entry transfer institution or its subordinate institution, which is not possible to assert against the issuer pursuant to the provisions of Article 212, paragraph (1) or Article 213, paragraph (1).

- (4) If an account management institution is asked by its immediately superior institution to report the necessary information for giving the notice referred to in paragraph (1) (including the information prescribed in the preceding paragraph) concerning the book-entry transfer bonds with share options that have been entered or recorded in the account of the participant of the account management institution or its subordinate institution, the account management institution must promptly report the information.
- (5) If there is a legitimate reason for doing so, an issuer may demand that a book-entry transfer institution give notice of the information to be notified concerning holders of book-entry transfer bonds with share options on the fixed date set by the issuer by paying the expense specified by the book-entry transfer institution. In such case, the provisions of the preceding paragraphs apply *mutatis mutandis*.

(Special Provisions of the Companies Act on the Cancellation of Share Options Embedded in Corporate Bonds)

Article 219 (1) If the issuer seeks to cancel the share options embedded in their book-entry transfer bonds, they must file an application for the deletion of the book-entry transfer bonds with share options.

- (2) The cancellation of book-entry transfer bonds with share options takes effect on the day that an entry or record of the decrease referred to in Article 199, paragraph (4), item (i) has been made.

(Special Provisions of the Companies Act on the Exercise of Share Options Embedded in Corporate Bonds)

Article 220 A participant exercising share options embedded in book-entry transfer bonds must file an application for the deletion of the book-entry transfer bonds with share options.

(Voting Rights of Holders of Book-Entry Transfer Bonds with Share Options in the Event of Non-Performance of Obligations Concerning Entries or Records of Overages)

Article 221 (1) Notwithstanding the provisions of Article 723, paragraph (1) of the Companies Act, in the case referred to in Article 212, paragraph (1) or Article 213, paragraph (1), each holder of book-entry transfer bonds with share options holds the right to vote at a bondholders meeting in proportion to the

amount of the corporate bonds associated with the number of book-entry transfer bonds with share options held by them (excluding the sum of the maximum number ascribable to the book-entry transfer institution and the maximum number ascribable to the account management institution).

- (2) In applying the provisions of Article 718, paragraph (1) and Article 736, paragraph (1) of the Companies Act and Article 49, paragraph (1) of the Secured Bond Trust Act, the holder of book-entry transfer bonds with share options referred to in Article 212, paragraph (1) or Article 213, paragraph (1) is deemed not to hold the book-entry transfer bonds with share options that correspond to the maximum number ascribable to the book-entry transfer institution and the maximum number ascribable to the account management institution.

(Presentation of Certificates)

Article 222 (1) In order to demand the convocation of a bondholders meeting pursuant to the provisions of Article 718, paragraph (1) of the Companies Act, convene a bondholders meeting pursuant to the provisions of paragraph (3) of that Article, exercise voting rights at a bondholders meeting, or inspect the conditions in which collateral are stored pursuant to the provisions of Article 49, paragraph (1) of the Secured Bond Trust Act, the holder of book-entry transfer bonds with share options must, after having been delivered a document pursuant to the main clause of paragraph (3) or the main clause of paragraph (5), present that document to the person prescribed in each of the following items in accordance with the category of cases set forth in the item:

- (i) if there is a bond administrator: the bond administrator;
- (ii) if there is an assistant bond administrator: the assistant bond administrator;
- (iii) if there is a trust company subject to a trust agreement prescribed in Article 2, paragraph (1) of the Secured Bond Trust Act: the trust company; and
- (iv) in cases other than the case set forth in the preceding three items: the issuer.

(2) In order for a holder of book-entry transfer bonds with share options to exercise voting rights at a bondholders meeting, the holder must present the document pursuant to the provisions of the preceding paragraph by no later than one week prior to the day of the bondholders meeting and on the day of the meeting.

(3) A holder of book-entry transfer bonds with share options may demand that its immediately superior institution deliver a document certifying the information set forth in the items of Article 194, paragraph (3) concerning the book-entry transfer bonds with share options entered or recorded under its own account in

the book-entry transfer account register kept by its immediately superior institution; provided, however, that this does not apply to a person that has already been delivered a document pursuant to the provisions of this paragraph concerning the book-entry transfer bonds with share options and that has not returned that document to its immediately superior institution.

- (4) A holder of book-entry transfer bonds with share options that has been delivered a document pursuant to the main clause of the preceding paragraph may not file an application for a book-entry transfer or a deletion concerning the book-entry transfer bonds with share options certified by the document until the holder returns that document to the immediately superior institution referred to in that paragraph.
- (5) A holder of book-entry transfer bonds with share options that has filed an application referred to in Article 215, paragraph (4) may demand that the book-entry transfer institution or account management institution that has opened a purchase account deliver a document certifying the information set forth in Article 194, paragraph (3), item (i), item (ii), and item (vi) concerning the book-entry transfer bonds with share options entered or recorded in the purchase account related to the application, the number set forth in item (iii) of that paragraph which is related to the application filed by the holder of the book-entry transfer bonds with share options, and the name and address of the holder of the book-entry transfer bonds with share options; provided, however, that this does not apply to the following persons:
- (i) a person that has filed the application concerning the book-entry transfer bonds with share options for which the purchase has become effective; and
  - (ii) a person that has already been delivered the document pursuant to the provisions of this paragraph concerning the book-entry transfer bonds with share options and that has not returned that document to the book-entry transfer institution or account management institution.
- (6) Notwithstanding the provisions of Article 215, paragraph (6), until the holder of book-entry transfer bonds with share options that has been delivered a document pursuant to the main clause of the preceding paragraph returns that document to the book-entry transfer institution or account management institution referred to in the preceding paragraph, the issuer may not file an application for a book-entry transfer concerning the book-entry transfer bonds with share options certified by that document (limited to those entered or recorded in a purchase account) by using the account of the holder of the book-entry transfer bonds with share options as the transferee account.

(Special Provisions of the Companies Act on Mergers)

Article 223 (1) If a surviving company or wholly owning company seeks to deliver book-entry transfer bonds with share options at the time of an



absorption-type merger or share exchange, or if an incorporated company or wholly owning company seeks to deliver book-entry transfer bonds with share options at the time of consolidation-type merger or share transfer, it must give a notice pursuant to the provisions of Article 196, paragraph (1) by using the effective date of merger or date of incorporation as the fixed date referred to in item (i) of that paragraph.

- (2) If a surviving company or wholly owning company seeks to transfer book-entry transfer bonds with share options at the time of the absorption-type merger or share exchange, it must file an application for book entries to be made for the book-entry transfer bonds with share options after the effective date of merger or date of incorporation without delay.
- (3) When an issuer of book-entry transfer bonds with share options seeks to perform a merger (limited to one in which the issuer will be dissolved), absorption-type split (limited to one prescribed in Article 758, item (v) of the Companies Act), incorporation-type split (limited to one prescribed in Article 763, paragraph (1), item (x) of that Act), share exchange (limited to one prescribed in Article 768, paragraph (1), item (iv) of that Act), or share transfer (limited to one prescribed in Article 773, paragraph (1), item (ix) of that Act), the issuer must give the notice of the deletion of all entries or records by using the day when any of these acts (hereinafter referred to as the "merger, split, exchange, or transfer" in this Article) takes effect or the incorporation date of the company that is incorporated as a result of the merger, split, exchange, or transfer, as the date referred to in Article 200, paragraph (1), item (ii).
- (4) If membership companies merge and the company surviving an absorption-type merger or the company incorporated in a consolidation-type merger seeks to deliver book-entry transfer bonds with share options at the time of the merger, it must specify in the merger agreement, the accounts (excluding special accounts) that have been opened for the members of the membership company in which book entries are to be made for book-entry transfer bonds with share options.
- (5) If the company succeeding in an absorption-type split or the company incorporated in an incorporation-type split seeks to issue book-entry transfer bonds with share options at the time of the company split, it must specify in the absorption-type split agreement or incorporation-type split plan, the account (excluding a special account) that has been opened for the stock company that will implement a company split in which book entries are to be made for those book-entry transfer bonds with share options.

(Special Provisions of the Companies Act on Share Delivery)

Article 223-2 (1) If the corporate bonds with share options referred to in Article 774-3, paragraph (1), item (v), sub-item (c) or item (viii), sub-item (d) of the

Companies Act are book-entry transfer bonds with share options, the parent company resulting from a share delivery must indicate the fact that the provisions of this Act apply to those book-entry transfer bonds with share options in the notice pursuant to the provisions of Article 774-4, paragraph (1) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).

- (2) In the case referred to in the preceding paragraph, a person making an offer referred to in Article 774-4, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act; hereinafter the same applies in this paragraph) (excluding a person that will not become a holder of bonds constituting book-entry transfer bonds with share options issued by the parent company resulting from a share delivery or holders of the share options embedded in corporate bonds pursuant to the provisions concerning the particulars set forth in Article 774-3, paragraph (1), item (vi) or (ix) of that Act) must state in the document referred to in Article 774-4, paragraph (2) of that Act, the account opened for them in which book entries are to be made for the book-entry transfer bonds with share options (excluding a special account) or must indicate this account to the issuer of those book-entry transfer bonds with share options at the time of concluding the agreement referred to in Article 774-6 of that Act (including as applied mutatis mutandis pursuant to Article 774-9 of that Act).
- (3) If a parent company resulting from a share delivery seeks to transfer book-entry transfer bonds with share options at the time of the share delivery, the parent company resulting from a share delivery must file an application for book entries to be made for those book-entry transfer bonds with share options after the day on which the share delivery takes effect without delay.

(Exclusion from Application)

Article 224 The provisions of Article 257, paragraph (1), Article 259, paragraph (1), Article 260, paragraphs (1) and (2), Article 268, paragraph (1), Article 269, paragraph (1), Article 270, paragraphs (1) through (3), Article 272-2, paragraphs (1) through (3), Article 681, items (iv) and (v), Article 682, paragraphs (1) through (3), Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1), and Article 695-2, paragraphs (1) through (3) of the Companies Act do not apply to book-entry transfer bonds with share options.

## **Section 5 Miscellaneous Provisions**

Article 225 (1) If the notice set forth in the following items has been given, the book-entry transfer institution that has been notified must immediately take

measures that will enable the participants to learn the information set forth in that item concerning book-entry transfer bonds with share options of the issue related to the notice using the means prescribed by Cabinet Order:

- (i) the notice referred to in Article 195, paragraph (1): the information set forth in item (ix) of that paragraph;
  - (ii) the notice referred to in the first sentence of Article 202, paragraph (1), paragraph (4), item (ii), or paragraph (5), item (ii) (including as applied mutatis mutandis pursuant to paragraph (6) of that Article): the information set forth in paragraph (3), item (iii) of that Article; and
  - (iii) the notice referred to in the first sentence of Article 203, paragraph (1), paragraph (4), item (ii), or paragraph (5), item (ii) (including as applied mutatis mutandis pursuant to paragraph (6) of that Article): the information set forth in paragraph (3), item (iv) of that Article.
- (2) The expenses incurred for the measures referred to in the preceding paragraph are borne by the issuer of the book-entry transfer bonds with share options referred to in that paragraph.

## **Chapter X Book-Entry Transfer of Investment Equity**

### **Section 1 Book-Entry Transfer of Investment Equity**

(Attribution of Rights)

- Article 226 (1) The attribution of rights from investment equity (meaning investment equity as defined in Article 2, paragraph (14) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) handled by a book-entry transfer institution (hereinafter referred to as "book-entry transfer investment equity") is determined by the entries or records in a book-entry transfer account register pursuant to the provisions of this Section.
- (2) The issuer must act with the consent of all of the organizers (meaning organizers prescribed in Article 66, paragraph (1) of the Act on Investment Trusts and Investment Corporations) or in accordance with the decision of the executive managing officer (meaning an executive managing officer prescribed in Article 109, paragraph (1) of that Act; the same applies in the following paragraph) to give the consent referred to in Article 13, paragraph (1) to their investment equity.
- (3) The executive managing officer's decision referred to in the preceding paragraph must obtain the approval of the board of officers (meaning the board of officers prescribed in Article 112 of the Act on Investment Trusts and Investment Corporations).

(Non-Issuance of Investment Securities)

- Article 227 (1) Investment securities (meaning investment securities as defined

in Article 2, paragraph (15) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) may not be issued for book-entry transfer investment equity.

- (2) Notwithstanding the provisions of the preceding paragraph, if a book-entry transfer institution that handles book-entry transfer investment equity has the designation under Article 3, paragraph (1) revoked pursuant to the provisions of Article 22, paragraph (1) or the designation expires pursuant to the provisions of Article 41, paragraph (1) and there is no person to succeed to the book-entry transfer business of the book-entry transfer institution, or if a book-entry transfer institution that handles book-entry transfer investment equity ceases to handle the book-entry transfer investment equity, an investor that holds book-entry transfer investment equity (meaning an investor as defined in Article 2, paragraph (16) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) may ask the issuer to issue investment security.
- (3) If an issuer gives the consent referred to in Article 13, paragraph (1) for issued investment equity, investment securities (other than those for which public notification proceedings (meaning public notification proceedings prescribed in Article 142 of the Non-Contentious Cases Procedures Act (Act No. 14 of 1898); the same applies hereinafter) are undertaken) are invalid as of the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article.
- (4) Investment securities for which public notification proceedings are undertaken on the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article are invalid as of the day that an entry or record of the increase pursuant to the provisions of Article 130, paragraph (2) as applied mutatis mutandis pursuant to paragraph (1) of the following Article has been made.

(Application, Mutatis Mutandis of the Provisions on Shares to Investment Equity)

Article 228 (1) The provisions of Chapter VII (excluding the provisions of Article 128, Article 138, paragraph (6), Article 145, paragraph (6), Article 146, paragraph (6), Article 147, paragraph (3), item (iii), Article 150, paragraph (5), Article 155, paragraph (8), Article 156, Article 157, Article 160, paragraph (2), paragraph (4), and paragraph (5), Article 160-2, and Article 161; the same applies in the following paragraph) apply mutatis mutandis to investment equity. In such a case, the terms in the left-hand column of the following table are deemed to be replaced with the terms in the right-hand column, except in the cases prescribed in the following paragraph.

number	number of units
registered pledgee of shares	registered pledgee of investment equity
total number	total number of units
number subject to book entry transfer	number of units subject to book entry transfer
shareholder register	investors' register
total issued number	total number of issued units
absorption-type merger or share exchange	absorption-type merger
consolidation-type merger or share transfer	consolidation-type merger
disappearing company or wholly-owned company	disappearing investment corporation
effective date of merger or date of incorporation	effective date of the merger
aggregate number	total number of units
number in overage	number of units in overage
maximum number ascribable to the account management institution	maximum number of units ascribable to the account management institution
specific notified shareholder	specific notified investor
rights of minority shareholders and other shareholders	rights of minority shareholders and other investors
business year	business period
special shareholder	special investor
exercise of appraisal rights on shares	exercise of appraisal rights on investment equity
surviving company or wholly owning company	surviving investment corporation
incorporated company or wholly owning company	incorporated investment corporation

(2) If the provisions of Chapter VII apply mutatis mutandis to investment equity, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 129, paragraph (3), item (ii)	trade name and the class of book-entry transfer shares, if the issuer is a company with class shares;	trade name
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Article 130, paragraph (1), item (ii)	registered pledgee of shares prescribed in Article 152, paragraph (1) of the Companies Act	registered pledgee of investment equity prescribed in Article 77-3, paragraph (4) of the Act on Investment Trusts and Investment Corporations (other than a pledgee for which an entry or record has been made in the investors' register (meaning the investors' register prescribed in Article 77-3, paragraph (1) of that Act; the same applies hereinafter) pursuant to the provisions of Article 229)
Article 131, paragraph (1)	must notify the person	must issue public notice and notify the person
Article 131, paragraph (1), item (iv)	(iv) other information specified by order of the competent ministry	(iv) the fact that the investment securities (meaning the investment securities as defined in Article 2, paragraph (15) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) are to become invalid on the fixed date referred to in item (i), if the issuer gives the consent referred to in Article 13, paragraph (1) with regard to investment equity (meaning investment equity as defined in Article 2, paragraph (14) of that Act) after the incorporation of the investment corporation; (v) other information specified by order of the competent ministry

<p>Article 131, paragraph (4)</p>	<p>If a company is the issuer of shares that constitute book-entry transfer shares referred to in paragraph (1) and the company has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in item (i) of that paragraph, it must promptly give the consent referred to in that paragraph (1) to the book-entry transfer institution with respect to those shares.</p>	<p>An investment corporation must give the consent referred to in Article 13, paragraph (1) to the book-entry transfer institution with respect to shares of a particular issue prescribed in paragraph (1) of that Article on the fixed date referred to in item (i) of that paragraph.</p>
	<p>referred to in that paragraph</p>	<p>referred to in Article 13, paragraph (1)</p>
<p>Article 131, paragraph (5)</p>	<p>(5) In the case prescribed in paragraph (1), when the company gives the notice referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) notified by the shareholder or registered pledgee of shares referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.</p>	<p>(5) In the case prescribed in paragraph (1), when the company gives the notice referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) notified by the investor or registered pledgee of investment equity referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.</p>

		<p>(6) Notwithstanding the provisions of paragraph (1), if an investment corporation that has not issued investment securities for all investment equity seeks to deliver book-entry transfer investment equity of the relevant issue (meaning book-entry transfer investment equity prescribed in Article 226, paragraph (1)), it is sufficient for the investment corporation to give notice to the investors and registered pledgees of investment equity of the information set forth in the items of paragraph (1) by one month prior to the fixed date referred to in item (i) of that paragraph.</p> <p>(7) Public notice may be issued in lieu of giving a notice pursuant to the preceding paragraph.</p>
Article 137, paragraph (1), item (iii)	Article 124, paragraph (1) of the Companies Act	Article 77-3, paragraph (2) of the Act on Investment Trusts and Investment Corporations
Article 138, paragraph (1)	of a company disappearing in a merger or of a company conducting a share exchange or share transfer (hereinafter referred to as a "disappearing company or wholly owned company" in this Chapter through Chapter IX)	of an investment corporation disappearing in a merger (hereinafter referred to as a "disappearing investment company")
	surviving company or wholly owning company, or incorporated company or wholly owning company	investment corporation surviving the absorption-type merger (hereinafter referred to as the "surviving investment corporation") or investment corporation incorporated in the a consolidation-type merger (hereinafter referred to as the "incorporated investment corporation")



	effective date of merger or date of incorporation	the effective date of the merger (meaning the effective date referred to in Article 147, paragraph (1), item (v) of the Act on Investment Trusts and Investment Corporations in the case of an absorption-type merger and the date of incorporation referred to in Article 148-2, paragraph (1) of that Act in the case of a consolidation-type merger; the same applies hereinafter)
Article 145, paragraph (1)	retired	retired or refunded
Article 147, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 77-3, paragraph (2) of the Act on Investment Trusts and Investment Corporations
Article 147, paragraph (3), item (iv)	in the case prescribed in the preceding item	as applied mutatis mutandis pursuant to Article 94, paragraph (1) of the Act on Investment Trusts and Investment Corporations following the deemed replacement of terms, if the issuer has fixed the record date only for establishing the persons that will exercise their voting rights
Article 147, paragraph (4) and the table of Article 148, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 77-3, paragraph (2) of the Act on Investment Trusts and Investment Corporations

Article 149, paragraph (1)	the payment of dividends of surplus	the delivery of proceeds (meaning proceeds prescribed in Article 88, paragraph (1) of the Act on Investment Trusts and Investment Corporations; hereinafter the same applies in this Article), refund of investment equity (meaning a refund of investment equity prescribed in Article 124, paragraph (1) of that Act; hereinafter the same applies in this Article) or distribution of money (meaning a distribution of money prescribed in Article 137, paragraph (1) of that Act; hereinafter the same applies in this Article)
	of that issue	of that issue, nor does it have the effect of reducing the number of units that may be asserted against the issuer
Article 149, paragraphs (2) and (3)	pays a dividend of surplus	delivers proceeds, refunds investment equity, or distributes money
Article 150, paragraph (1)	incorporator	organizer (meaning an organizer prescribed in Article 66, paragraph (1) of the Act on Investment Trusts and Investment Corporations)
	Article 32, paragraph (1) of the Companies Act	Article 70-2, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 150, paragraph (2)	Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act	Article 71, paragraph (1) or Article 83, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 150, paragraph (4)	Article 203, paragraph (2) of the Companies Act	Article 83, paragraph (3) of the Act on Investment Trusts and Investment Corporations
	Article 205, paragraph (1) of that Act	Article 205, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to paragraph (9) of that Article

Article 151, paragraph (1), item (iv)	have passed after the beginning of each business year (unless the issuer has fixed a record date for an interim dividend as prescribed in Article 454, paragraph (5) of the Companies Act):	have passed after the beginning of each business year:
Article 152, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 79, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 153	fractional shares	fractional units of investment equity
	against the issuer, or if shareholders come to hold shares less than one unit	against the issuer,
	is entitled to hold voting rights regarding the fractional shares or shares less than one unit, for the number obtained when the number of fractional shares or the number of shares less than one unit is divided by the number of share units (any number	is entitled to hold voting rights regarding the fractional units, for the number obtained when the number of fractional units of preferred equity investment ( any number
Article 154, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 79, paragraph (1) of the Act on Investment Trusts and Investment Corporations

<p>Article 155, paragraph (1)</p>	<p>any of the acts set forth in the items of Article 116, paragraph (1) of the Companies Act, a consolidation of shares prescribed in Article 182-2, paragraph (1) of that Act, business transfer, etc. (meaning the business transfer, etc. prescribed in Article 468, paragraph (1) of that Act; the same applies in paragraph (4)), a merger, conclusion of absorption-type split agreement, incorporation-type split, conclusion of share exchange agreement, share transfer, or share delivery</p>	<p>a change to the certificate of incorporation under the provisions of Article 140 of the Act on Investment Trusts and Investment Corporations to refuse the request to refund investment equity, or a merger</p>
	<p>Article 116, paragraph (1), Article 182-4, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1), Article 806, paragraph (1), or Article 816-6, paragraph (1)</p>	<p>Article 141, paragraph (1), Article 149-3, paragraph (1), Article 149-8, paragraph (1), or Article 149-13, paragraph (1)</p>

<p>Article 155, paragraph (2)</p>	<p>If the issuer referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 161, paragraph (2) regarding the information which is required to be given notice in lieu of giving notice under the provisions of Article 116, paragraph (3) of the Companies Act, Article 181, paragraph (1) of that Act (limited to cases as applied pursuant to Article 182-4, paragraph (3) of that Act following the deemed replacement of terms), or Article 469, paragraph (3), Article 785, paragraph (3), Article 797, paragraph (3), Article 806, paragraph (3) or Article 816-6, paragraph (3) of that Act</p>	<p>If the issuer referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 233, paragraph (2) regarding the information which is required to be given notice in lieu of giving notice under the provisions of Article 141, paragraph (2), Article 149-3, paragraph (2), Article 149-8, paragraph (2) or Article 149-13, paragraph (2) of the Act on Investment Trusts and Investment Corporations</p>
<p>Article 155, paragraph (4)</p>	<p>the day on which any of the acts set forth in items of Article 116, paragraph (1) of the Companies Act, consolidation of shares prescribed in Article 182-2, paragraph (1) of that Act, business transfer, etc., absorption-type merger, absorption-type split or share exchange prescribed in Article takes effect, or until the incorporation date of the company that is incorporated as a result of a consolidation-type merger, incorporation-type company split, share transfer or share delivery</p>	<p>the day on which a change to the certificate of incorporation under the provisions of Article 140 of the Act on Investment Trusts and Investment Corporations to refuse the request to refund investment equity takes effect or the effective date of a merger</p>

Article 159, paragraph (1)	share whose certificate has been registered as lost	investment securities subject to public notification proceedings (meaning the public notification proceedings prescribed in Article 142 of the Non-Contentious Cases Procedures Act) on the fixed date referred to in Article 131, paragraph (1), item (i)
	, until the day of cancellation of registration (meaning the day of cancellation of registration prescribed in Article 230, paragraph (1) of the Companies Act; hereinafter the same applies in this Article).	,
Article 159, paragraph (2)	on the day of cancellation of registration	without delay upon receipt of a request accompanied by an authenticated copy or certified copy of a decision on a right to separate satisfaction involving the investment securities referred to in that paragraph and other documents specified by order of the competent ministry
	the registered holder (meaning a registered holder prescribed in Article 221, item (iii) of the Companies Act) that is the registrant of a lost share certificate (meaning the registrant of lost share certificate as prescribed in Article 224, paragraph (1) of that Act) or any other person specified by order of the competent ministry	the person making the request
	registered holder or similar person	requester
	by the day of cancellation of registration	by the day the person made the request
Article 159, paragraph (3), item (i)	registered holder or similar person	requester

Article 159-2, paragraph (1)	articles of incorporation	constitution
Article 159-2, paragraph (2)	Article 130, paragraph (1) of that Act	Article 79, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 160, paragraph (1)	are not book-entry transfer shares, or if the company disappearing in a merger is a membership company and	are not book-entry transfer shares and
Article 160, paragraph (3)	, or if the surviving company or wholly owning company or incorporated company or wholly owning company is not a stock company;	,

(Special Provisions When Issued Investment Equity Is Regarded As Book-Entry Transfer Investment Equity)

Article 229 When the issuer seeks to give the consent referred to in Article 13, paragraph (1) with regard to investment equity after the incorporation of an investment corporation, the pledgee of that investment equity (other than the registered pledgee of investment equity (meaning one prescribed in Article 77-3, paragraph (4) of the Act on Investment Trusts and Investment Corporations)) may demand that the issuer make an entry or record of the information set forth in each item of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 79, paragraph (4) of the Act on Investment Trusts and Investment Corporations in the investors register (meaning the investors register prescribed in Article 77-3, paragraph (1) of the Act on Investment Trusts and Investment Corporations) by the day before the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article.

(Making Entries or Records of Refunds of Book-Entry Transfer Investment Equity)

Article 230 (1) A participant seeking a refund of book-entry transfer investment equity of a particular issue (meaning a refund of investment equity prescribed in Article 124, paragraph (1) of the Act on Investment Trusts and Investment Corporations; hereinafter the same applies in this Article) must file an application for the deletion. In such a case, the application is an application that the participant for whom the reduction resulting from the deletion will be entered or recorded in their account (excluding a customer account) (meaning a

customer account prescribed in Article 129, paragraph (2), item (ii) as applied mutatis mutandis pursuant to Article 228, paragraph (1); hereinafter the same applies in this Article)) files with their immediately superior institution.

- (2) If the application referred to in the first sentence of the preceding paragraph has been filed, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of the following paragraph in the application, enter or record the reduction in the book-entry transfer investment equity related to the application in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.
- (3) A participant filing an application referred to in the first sentence of paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
  - (i) the issue and number of units of book-entry transfer investment equity for which the reduction is required to be entered or recorded when the deletion is made;
  - (ii) whether the reduction will be entered or recorded in the holdings column (meaning the holdings column prescribed in Article 130, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to Article 228, paragraph (1); hereinafter the same applies in this Article) or the pledge column (meaning the pledge column prescribed in Article 130, paragraph (2), item (i), sub-item (b) as applied mutatis mutandis pursuant to Article 228, paragraph (1); hereinafter the same applies in this Article) of the applicant's account; and
  - (iii) the names and addresses of the investors of book-entry transfer investment equity for which the entry or record of the reduction is required to be made, if the entry or record of the reduction is to be made in the pledge column of the applicant's account, and the number of units referred to in item (i) for each investor.
- (4) If the application referred to in the first sentence of paragraph (1) has been filed, the book-entry transfer institution or account management institution that has received the application must take the following measures without delay:
  - (i) make the following entries or records in the holdings column or the pledge column of the applicant's account indicated pursuant to the provisions of item (ii) of the preceding paragraph:
    - (a) an entry or record of the reduction in the number of units referred to in item (i) of the preceding paragraph;
    - (b) an entry or record of the reduction in the number of units for each investor referred to in item (iii) of the preceding paragraph, if the entry or record of the reduction referred to in sub-item (a) is to be made in the



pledge column.

- (ii) give notice to the immediately superior institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the reduction in the number of units under paragraph (3), item (i) in the customer account under the account of the account management institution that has given the notice; and
  - (ii) give notice to the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), if the notice has been given.
- (7) The issuer may demand that, in exchange for them to refund book-entry transfer investment equity, an investor file an application with their immediately superior institution to make a deletion for the book-entry transfer investment equity of the issue on its account, to delete the same number of units as the number of units of book-entry transfer investment equity that are being refunded.

(Special Provisions of the Act on Investment Trusts and Investment Corporations Deeming Book-Entry Transfer Investment Equity to Be Investment Securities)

Article 231 In applying the provisions of Article 196, paragraphs (1) and (2), Article 197, and Article 219 of the Act on Investment Trusts and Investment Corporations to book-entry transfer investment equity, book-entry transfer investment equity is deemed to be investment securities prescribed in that Act among the investment securities or similar certificates prescribed in that Act.

(Special Provisions of the Act on Investment Trusts and Investment Corporations Concerning the Merger of Book-Entry Transfer Investment Equity)

Article 232 (1) When seeking to merge the book-entry transfer investment equity pursuant to the provisions of Article 81-2, paragraph (1) of the Act on

Investment Trusts and Investment Corporations, the issuer must issue public notice of the information set forth in Article 180, paragraph (2), items (i) and (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 81-2, paragraph (2) of the Act on Investment Trusts and Investment Corporations by two week prior to the date referred to in those items of the Companies Act.

- (2) In the case prescribed in the preceding paragraph, the merger of investment equity takes effect on the day referred to in Article 180, paragraph (2), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 81-2, paragraph (2) of the Act on Investment Trusts and Investment Corporations.

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

Article 233 (1) The provisions of Article 132, paragraph (1), items (ii) and (iii) and paragraphs (2) and (3) and Article 133 of the Companies Act as applied mutatis mutandis pursuant to Article 79, paragraph (3) of the Act on Investment Trusts and Investment Corporations and the provisions of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 79, paragraph (4) of the Act on Investment Trusts and Investment Corporations do not apply to book-entry transfer investment equity.

- (2) Notwithstanding the provisions of Article 80-3, paragraph (1), Article 141, paragraph (2), Article 149-2, paragraph (2), Article 149-3, paragraph (2), Article 149-8, paragraph (2), Article 149-12, paragraph (2), and Article 149-13, paragraph (2) of the Act on Investment Trusts and Investment Corporations, in lieu of giving notices pursuant to those provisions, an investment corporation issuing book-entry transfer investment equity must issue public notice of the information for which notice is required to be given.

- (3) In applying the provisions of Article 146, paragraphs (1) and (3) of the Act on Investment Trusts and Investment Corporations in the case of suspension of refund of book-entry transfer investment equity, the phrase "give public notice of ... or ...by giving separate notice to each of the investors" in paragraph (1) of that Article is deemed to be replaced with "giving public notice" and the term "public notice or notice" in paragraph (3) of that Article is deemed to be replaced with "public notice".

## **Section 2 Book-Entry Transfer of Preferred Equity Investments by Cooperative Financial Institutions**

(Attribution of Rights)

Article 234 (1) The attribution of rights from preferred equity investment (meaning preferred equity investment prescribed in Article 4, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions;

hereinafter the same applies in this Section) by a cooperative financial institution whose articles of incorporation does not have provisions on issuance of preferred equity investment certificates (meaning preferred equity investment certificates prescribed in Article 29, paragraph (1) of that Act), which is handled by a book-entry transfer institution (hereinafter referred to as "book-entry transfer preferred equity investment" in this Section) is determined by the entries or records in a book-entry transfer account register pursuant to the provisions in this Section.

- (2) The issuer must act in accordance with the decision of directors (meaning a director as defined in Article 2, paragraph (7) of the Act on Preferred Equity Investment by Cooperative Financial Institutions) to give the consent referred to in Article 13, paragraph (1) with regard to their preferred equity investment.

(Application, Mutatis Mutandis of Provisions on Shares to Preferred Equity Investment)

Article 235 (1) The provisions of Chapter VII (excluding the provisions of Articles 128, Article 136, Article 145, paragraph (6), Article 146, paragraph (6), Article 147, paragraph (3), item (iii), Article 150, paragraph (1), paragraph (5), and paragraph (6), Article 151, paragraph (1), item (ii) and paragraph (2), item (iii), Article 154, paragraph (3), item (iv), Articles 155 through 157, Article 159-2, paragraph (2), item (iv), Article 160, paragraphs (4) and (5), Article 160-2, and Article 161; the same applies in the following paragraph) apply mutatis mutandis to preferred equity investment. In such a case, the terms in the left-hand column of the following table are deemed to be replaced with the terms in the right-hand column, except in the cases prescribed in the following paragraph.

number	number of units
registered pledgee of shares	registered pledgee of preferred equity investment
total number	total number of units
number subject to book entry transfer	number of units subject to book entry transfer
shareholder register	preferred equity investor register
total issued number	total number of issued units
absorption-type merger or share exchange	absorption-type merger
consolidation-type merger or share transfer	consolidation-type merger
disappearing company or wholly owned company	disappearing cooperative financial institution
effective date of merger or date of incorporation	effective date of the merger

surviving company or wholly owning company	surviving cooperative financial institution
aggregate number	aggregate number of units
number in overage	number of units in overage
maximum number ascribable to the account management institution	maximum number of units ascribable to the account management institution
specific notified shareholder	specific notified preferred equity investor
rights of minority shareholders and other shareholders	rights of minority and other preferred equity investors
special shareholder	special preferred equity investor
registrant of lost share certificate	registrant of lost preferred equity investment certificate
incorporated company or wholly owning company	incorporated cooperative financial institution

(2) When the provisions of Chapter VII are applied mutatis mutandis to preferred equity investment, the terms set forth in the middle column of the following table in the provisions of the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 129, paragraph (3), item (ii)	trade name	name
	company with class shares	cooperative financial institution with classes of preferred equity investment (meaning a cooperative financial institution with classes of preferred equity investment prescribed in Article 8, paragraph (1), item (i) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions)
Article 130, paragraph (1)	after the incorporation of the company	after the issuance of preferred equity investment (meaning preferred equity investment prescribed in Article 4, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions; the same applies hereinafter)
	consent after incorporation	consent after issuance

Article 130, paragraph (1), item (ii)	registered pledgee of shares prescribed in Article 152, paragraph (1) of the Companies Act	registered pledgee of preferred equity investment prescribed in Article 149, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 27, paragraph (3) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions following the deemed replacement of terms (excluding a pledgee for which an entry or record has been made in the preferred equity investors register (meaning the preferred equity investors register prescribed in Article 25, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions; the same applies hereinafter) pursuant to the provisions of Article 218, paragraph (5) of the Companies Act as applied mutatis mutandis pursuant to Article 31, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions)
Article 131, paragraph (1)	at the time of a consolidation-type merger	at the time of a consolidation-type merger (other than a merger prescribed in Article 3, paragraph (1), items (ii) through (vi) of the Act on Financial Institutions' Merger and Conversion (Act No. 86 of 1968); the same applies hereinafter)
Article 137, paragraph (1), item (iii)	the record date for the share split (meaning the record date prescribed in Article 124, paragraph (1) of the Companies Act; hereinafter the same applies in this Chapter)	the fixed date for the share split (meaning a fixed date prescribed in Article 16, paragraph (2), item (i) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions; hereinafter the same applies in this Article)
Article 137, paragraph (3)	record date	fixed date

<p>Article 138, paragraph (1)</p>	<p>of a company disappearing in a merger or of a company conducting a share exchange or share transfer (hereinafter referred to as a "disappearing company or wholly owned company" in this Chapter through Chapter IX)</p>	<p>of a cooperative financial institution disappearing in a merger (hereinafter referred to as a "disappearing cooperative financial institution")</p>
	<p>surviving company or wholly owning company, or incorporated company or wholly owning company</p>	<p>surviving cooperative financial institution surviving the absorption-type merger (other than a merger pursuant to the provisions of Article 3, paragraph (1), items (ii) through (vi) of the Act on Financial Institutions' Merger and Conversion; the same applies hereinafter) (hereinafter referred to as the "surviving cooperative financial institution") or cooperative financial institution incorporated in the consolidation-type merger (hereinafter referred to as the "incorporated cooperative financial institution")</p>
<p>Article 143</p>	<p>excluding the purchase account prescribed in Article 155, paragraph (1); limited to their own account, if the account is that of an account management institution</p>	<p>limited to their own account, if the account is that of an account management institution</p>

Article 147, paragraph (3), item (iv)	shares held by a shareholder specified by Ministry of Justice Order which is as prescribed in Article 308, paragraph (1) of the Companies Act, in cases prescribed in the preceding item.	preferred equity investment prescribed in Article 33, paragraph (3) of Act on Preferred Equity Investment by Cooperative Structured Financial Institutions, if the issuer has fixed the record date (meaning a record date prescribed in Article 124, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 26 of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions; the same applies hereinafter) only for establishing the persons that will exercise their voting rights
Article 149, paragraph (1)	the payment of dividends of surplus	the payment of preferred dividends (meaning preferred dividends prescribed in Article 5, paragraph (1), item (ii) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions; hereinafter the same applies in this Article), delivery of the proceeds (meaning proceeds prescribed in the parts other than those listed in the items of Article 234, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 16, paragraph (7) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions; the same applies in this Article) or payment of dividends of surplus (meaning a dividend of surplus prescribed in Article 19, paragraph (11) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions; hereinafter the same applies in this Article)
Article 149, paragraphs (2) and (3)	pays a dividend of surplus	pays a preferred dividend, delivers proceeds, or pays a dividend of surplus
Article 150, paragraph (2)	Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act	Article 9, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions

Article 150, paragraph (4)	Article 203, paragraph (2) of the Companies Act	Article 9, paragraph (2) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions
	Article 205, paragraph (1)	Article 10, paragraph (4)
Article 151, paragraph (1), item (iv)	when six months have passed after the beginning of each business year (unless the issuer has fixed a record date for an interim dividend prescribed in Article 454, paragraph (5) of the Companies Act):	when six months have passed after the beginning of each business year:
Article 151, paragraph (2), item (i)	a customer account and a purchase account prescribed in Article 155, paragraph (1)	a customer account
Article 151, paragraph (7)	paragraph (1), item (i), item (ii)	paragraph (1), item (i)
Article 152, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 24, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions
Article 153	fractional shares	fractional units of preferred equity investment
	against the issuer, or if shareholders come to hold shares less than one unit,	against the issuer,
	Article 308, paragraph (1) of the Companies Act	Article 33, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions



	is entitled to hold voting rights regarding the fractional shares or shares less than one unit, for the number obtained when the number of fractional shares or the number of shares less than one unit is divided by the number of share units ( any number	is entitled to hold voting rights regarding the fractional shares for the number obtained when the number of fractional units of preferred equity investment ( any number
Article 154, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 24, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions
Article 159, paragraph (1)	registration of lost share certificate	registration of lost preferred equity investment certificate (meaning the registration of lost preferred equity investment certificate referred to in Article 223 of the Companies Act as applied mutatis mutandis pursuant to Article 31, paragraph (2) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions following the deemed replacement of terms)
Article 159-2, paragraph (1)	Article 325-2 of the Companies Act	Article 40, paragraph (4) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions
Article 159-2, paragraph (2)	Article 130, paragraph (1) of that Act	Article 24, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions
Article 160, paragraph (1)	are not book-entry transfer shares, or if the company disappearing in a merger is a membership company and	are not book entry transfer shares and

Article 160, paragraph (3)	, or if the surviving company or wholly owning company or incorporated company or wholly owning company is not a stock company;	,
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(Exclusion of Book-Entry Transfer Preferred Equity Investment from Application of the Act on Preferred Equity Investment by Cooperative Financial Institutions)

Article 236 (1) The provisions of Article 122, paragraphs (1) through (3), Article 132, paragraph (1), items (ii) and (iii) and paragraph (3), Article 133, and Article 154-2, paragraphs (1) through (3) of the Companies Act as applied mutatis mutandis pursuant to Article 26 of the Act on Preferred Equity Investment by Cooperative Financial Institutions and Article 147, paragraph (1), Article 148, and Article 152, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 27, paragraph (3) of the Act on Preferred Equity Investment by Cooperative Financial Institutions do not apply to book-entry transfer preferred equity investment.

(2) Notwithstanding the provisions of Article 7, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions, in lieu of giving notices pursuant to those provisions, a cooperative financial institution issuing book-entry transfer preferred equity investment must issue public notice of the information for which notice is required to be given.

(3) In applying the provisions of Article 24, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions to the transfer of the book-entry transfer preferred equity investment, the phrase "cooperative financial institution and other third parties" in that paragraph is deemed to be replaced with "cooperative financial institution".

**Section 3 Book-Entry Transfer of Preferred Equity Investment in Special Purpose Companies**

(Attribution of Rights)

Article 237 (1) The attribution of rights from preferred equity investment (meaning preferred equity investment as defined in Article 2, paragraph (5) of the Act on the Securitization of Assets; hereinafter the same applies in this Chapter) of a special purpose company, which is handled by a book-entry transfer institution (hereinafter referred to as "book-entry transfer preferred equity investment" in this Chapter) is determined by the entries or records in a

book-entry transfer account register pursuant to the provisions of this Section.

(2) The issuer must act in accordance with the decision of a director (or a decision by the majority of the directors, if the company has more than one director) to give the consent referred to in Article 13, paragraph (1) concerning their preferred equity investment.

(Non-Issuance of Preferred Equity Investment Certificates)

Article 238 (1) Preferred equity investment certificates (meaning preferred equity investment certificates as defined in Article 2, paragraph (9) of the Act on the Securitization of Assets; the same applies hereinafter) may not be issued for book-entry transfer preferred equity investment.

(2) Notwithstanding the provisions of the preceding paragraph, if a book-entry transfer institution that handles book-entry transfer preferred equity investment has the designation under Article 3, paragraph (1) revoked pursuant to the provisions of Article 22, paragraph (1) or the designation expires pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the book-entry transfer business of the book-entry transfer institution, or if a book-entry transfer institution that handles book-entry transfer preferred equity investment ceases to handle the book-entry transfer preferred equity investment, a preferred equity member holding book-entry transfer preferred equity investment (meaning a preferred equity member prescribed in Article 26 of the Act on the Securitization of Assets; the same applies hereinafter) may ask the issuer to issue a preferred-equity-investment certificate.

(3) If an issuer gives the consent referred to in Article 13, paragraph (1) for preferred equity investment that are issued, preferred equity investment certificates (other than those for which public notification proceedings are undertaken) are invalid as of the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article.

(4) Preferred equity investment certificates for which public notification proceedings are undertaken on the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article are invalid as of the day that an entry or record of the increase pursuant to the provisions of Article 130, paragraph (2) as applied mutatis mutandis pursuant to paragraph (1) of the following Article has been made.

(Application, Mutatis Mutandis of Provisions on Shares to Preferred Equity Investment)

Article 239 (1) The provisions of Chapter VII (excluding the provisions of Article

128, Article 131, paragraph (2), Article 134, Article 135, Article 137, Article 138, Article 145, paragraph (6), Article 146, paragraph (6), Article 147, paragraph (3), item (iii), Article 150, paragraph (1), Article 151, paragraph (1), item (iii), Article 155, paragraph (8), Articles 156 through 158, Articles 160 through 161, and Article 162, paragraph (1), item (ii); the same applies in the following paragraph) apply mutatis mutandis to preferred equity investment. In such a case, the terms in the left-hand column of the following table are deemed to be replaced with the terms in the right-hand column, except in the cases prescribed in the following paragraph.

number	number of units
registered pledgee of shares	registered pledgee of preferred equity investment
total number	total number of units
number subject to book entry transfer	number of units subject to book entry transfer
shareholder register	preferred equity member register
total issued number	total number of issued units issued
aggregate number	aggregate number of units
number in overage	number of units in overage
maximum number ascribable to the account management institution	maximum number of units ascribable to the account management institution
specific notified shareholder	specific notified preferred equity member
rights of minority shareholders and other shareholders	rights of minority preferred equity members and other preferred equity members
special shareholder	special preferred equity partner
exercise of appraisal rights on shares	exercise of appraisal rights on preferred equity

(2) When the provisions of Chapter VII are applied mutatis mutandis to preferred equity investment, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 129, paragraph (3), item (ii)	company with class shares	special purpose company issuing two or more classes of preferred equity investment (meaning preferred equity investment as defined in Article 2, paragraph (5) of the Act on the Securitization of Assets; the same applies hereinafter)
Article 130, paragraph (1)	after the incorporation of the company	after the issuance of preferred equity investment
	consent after incorporation	consent after issuance
Article 130, paragraph (1), item (ii)	registered pledgee of shares prescribed in Article 152, paragraph (1) of the Companies Act	registered pledgee of preferred equity investment prescribed in Article 43, paragraph (4) of the Act on the Securitization of Assets (excluding a pledgee for which an entry or record has been made in the preferred equity member register (meaning the preferred equity member register prescribed in Article 43, paragraph (1) of that Act; the same applies hereinafter) pursuant to the provisions of Article 244)
Article 131, paragraph (1)	seeks to deliver book-entry transfer shares of a particular issue and is unable to identify an account that has been opened for the holder or registered pledgee of the book-entry transfer shares it seeks to deliver in which book entries are to be made for book-entry transfer shares,	seeks to give the consent referred to in Article 13, paragraph (1) for the particular class of preferred equity investment already issued,
	(or the person specified by order of the competent ministry as being equivalent to the company, if the company is to deliver book-entry transfer shares at the time of a consolidation-type merger or in any other case specified by order of the competent ministry; hereinafter	hereinafter

	of the following information	that the preferred equity investment certificates (meaning the preferred equity investment certificates prescribed in Article 2, paragraph (9) of the Act on the Securitization of Assets; the same applies hereinafter) become invalid as of the fixed date referred to in item (i) and give the following information
	item (i)	that item
	must notify	must issue public notice and notify
	the person that order of the competent ministry prescribes as the person that is to become the holder or registered pledgee of those book-entry transfer shares,	the holders and the registered pledgees of preferred equity investment,
Article 131, paragraph (1), item (i)	book-entry transfer shares	preferred equity investment
	or file an application for a book entry transfer to be made for the holder	for the holder
Article 131, paragraph (4)	If a company is the issuer of shares that constitute book-entry transfer shares referred to in paragraph (1) and the company has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in item (i) of that paragraph, it must promptly give the consent referred to in that paragraph to the book-entry transfer institution with respect to those shares.	A special purpose company must give the consent referred to in Article 13, paragraph (1) to the book-entry transfer institution with respect to preferred equity investment of a particular type prescribed in paragraph (1) of that Article on the fixed date referred to in item (i) of that paragraph.
	referred to in that paragraph	referred to in Article 13, paragraph (1)

<p>Article 131, paragraph (5)</p>	<p>(5) In the case prescribed in paragraph (1), when the company gives the notice referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) notified by the shareholder or registered pledgee of shares referred to in paragraph (1), item (i) (or the special account that the company has requested to be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.</p>	<p>(5) In the case prescribed in paragraph (1), when the special purpose company has given the notice referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) notified by the preferred equity member referred to in paragraph (1), item (i) (meaning a preferred equity member prescribed in Article 26 of the Act on the Securitization of Assets; the same applies hereinafter) or by the registered pledgee of preferred equity investment (or the special account that the special purpose company has requested to be opened, if the notice has not been given) as the account referred to in paragraph (1), item (iii) of the preceding Article.</p> <p>(6) Notwithstanding the provisions of paragraph (1), if a special purpose company that has not issued preferred equity investment for all preferred equity investment seeks to give the consent referred to in Article 13, paragraph (1), it is sufficient for it to notify the preferred equity partners and registered pledgees of preferred equity investment of the information set forth in the items of paragraph (1) by one month prior to the fixed date referred to in item (i) of that paragraph.</p> <p>(7) Public notice may be issued in lieu of giving the notice pursuant to the provisions of the preceding paragraph.</p>
<p>Article 133, paragraph (2)</p>	<p>before the notice referred to in Article 130, paragraph (1) is given, or an application</p> <p>after giving the notice or filing the application</p>	<p>before the notice referred to in Article 130, paragraph (1) is given,</p> <p>after giving the notice</p>

Article 136, paragraph (3)	in the holdings or pledge column of the book-entry transfer account register in which entries or records have been made for book-entry transfer share options referred to in item (i) of that paragraph in the book-entry transfer account register that it keeps	in the account of the book-entry transfer account register that it keeps under which entries or records have been made for the book-entry transfer preferred equity investment (for accounts other than the Institution-Held Account or a customer account, the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter)
Article 147, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 43, paragraph (2) of the Act on the Securitization of Assets
Article 147, paragraph (3), item (iv)	shares held by a shareholder specified by Ministry of Justice Order which is as prescribed in Article 308, paragraph (1) of the Companies Act, in cases prescribed in the preceding item.	preferred equity investment held by a member specified by Cabinet Office Order prescribed in Article 59, paragraph (1) of the Act on the Securitization of Assets, if the issuer has fixed the record date (meaning a record date prescribed in Article 43, paragraph (2) of that Act; the same applies hereinafter) only for establishing the persons that will exercise their voting rights
Article 147, paragraph (4) and the table of Article 148, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 43, paragraph (2) of the Act on the Securitization of Assets



Article 149, paragraph (1)	the payment of dividends of surplus	the delivery of proceeds prescribed in Article 235, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 50, paragraph (3) of the Act on the Securitization of Assets, payment of a refund that accompany a reduction in the amount of preferred capital (meaning the amount of preferred capital prescribed in Article 42, paragraph (1), item (i) of the Act on the Securitization of Assets), distribution of profits, or payment of interim dividends prescribed in Article 115, paragraph (1) of the Act on the Securitization of Assets (hereinafter referred to collectively as the delivery of "proceeds or other payment" in this Article)
Article 149, paragraph (2)	the dividend of surplus referred to in that paragraph	proceeds or other payment
Article 149, paragraph (3)	the dividend of surplus referred to in paragraph (1)	proceeds or other payment
Article 150, paragraph (2)	Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act	Article 40, paragraph (1) of the Act on the Securitization of Assets
Article 150, paragraph (4)	Article 203, paragraph (2) of the Companies Act	Article 40, paragraph (2) of the Act on the Securitization of Assets
	Article 205, paragraph (1)	Article 41, paragraph (2)

<p>Article 150, paragraph (5)</p>	<p>share options (limited to those with book-entry transfer shares underlying them)</p>	<p>convertible specified corporate bonds (meaning convertible specified corporate bonds prescribed in Article 131, paragraph (1) of the Act on the Securitization of Assets, and limited to those whose conversion results in the issuance of book-entry transfer preferred equity investment (meaning book-entry transfer preferred equity investment prescribed in Article 237, paragraph (1); the same applies hereinafter); the same applies hereinafter) or specified corporate bonds with subscription rights for new preferred equity investment (meaning subscription rights for new preferred equity investment prescribed in Article 139, paragraph (2) of that Act, and limited to rights whose exercise results in the issuance of preferred equity investment that constitutes book-entry transfer preferred equity investment; the same applies hereinafter) (meaning specified corporate bonds with subscription rights for new preferred equity investment prescribed in paragraph (1) of that Article; hereinafter the same applies)</p>
	<p>on those share options</p>	<p>on those convertible specified corporate bonds or those specified corporate bonds with subscription rights for new preferred equity investment</p>
	<p>Article 242, paragraph (1) of the Companies Act</p>	<p>Article 122, paragraph (1) of that Act</p>
	<p>the book-entry transfer shares underlying those share options</p>	<p>the book-entry transfer preferred equity investment required to be issued upon conversion of convertible specified corporate bonds or the preferred equity investment issued upon exercise of the subscription rights for new preferred equity investment</p>

Article 150, paragraph (6)	If the shares underlying a share option are book-entry transfer shares, the person exercising the share option	A person requesting the conversion of convertible specified corporate bonds or exercising subscription rights for new preferred equity investment
Article 151, paragraph (1), item (iv)	Article 454, paragraph (5) of the Companies Act	Article 115, paragraph (1) of the Act on the Securitization of Assets
Article 152, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 45, paragraph (1) of the Act on the Securitization of Assets
Article 153	fractional shares	fractional units of preferred equity investment
	against the issuer, or if shareholders come to hold shares less than one unit,	against the issuer,
	Article 308, paragraph (1) of the Companies Act	Article 59, paragraph (1) of the Act on the Securitization of Assets
	is entitled to hold voting rights regarding the fractional shares or shares less than one unit, for the number obtained when the number of fractional shares or the number of shares less than one unit is divided by the number of share units ( any number	is entitled to hold voting rights regarding the fractional units, for the number obtained when the number of fractional units of preferred equity investment( any number
Article 154, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 45, paragraph (1) of the Act on the Securitization of Assets

<p>Article 155, paragraph (1)</p>	<p>any of the acts set forth in the items of Article 116, paragraph (1) of the Companies Act, a consolidation of shares prescribed in Article 182-2, paragraph (1) of that Act, business transfer, etc. (meaning the business transfer, etc. prescribed in Article 468, paragraph (1) of that Act; the same applies in paragraph (4)), a merger, conclusion of absorption-type split agreement, incorporation-type split, conclusion of share exchange agreement, share transfer or share delivery</p>	<p>a consolidation of preferred equity or a change to an asset securitization plan (meaning the asset securitization plan as defined in Article 2, paragraph (4) of the Act on the Securitization of Assets; the same applies in paragraph (4))</p>
	<p>Article 116, paragraph (1), Article 182-4, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1), Article 806, paragraph (1) or Article 816-6, paragraph (1)</p>	<p>Article 182-4, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 50, paragraph (1) or Article 153, paragraph (1) of the Act on the Securitization of Assets</p>

<p>Article 155, paragraph (2)</p>	<p>If the issuer referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 161, paragraph (2) of the information which is required to be given notice, in lieu of giving notice under the provisions of Article 116, paragraph (3) of the Companies Act, Article 181, paragraph (1) of that Act (limited to cases as applied pursuant to Article 182-4, paragraph (3) of that Act following the deemed replacement of terms), or Article 469, paragraph (3), Article 785, paragraph (3), Article 797, paragraph (3), Article 806, paragraph (3) or Article 816-6, paragraph (3) of that Act</p>	<p>If the issuer referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 246, paragraph (1), or issues public notice pursuant to the provisions of Article 247, paragraph (2) of the information which is required to be given notice, in lieu of giving notice under the provisions of Article 116, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 153, paragraph (4) of the Act on the Securitization of Assets</p>
<p>Article 155, paragraph (4)</p>	<p>the day on which the acts set forth in items of Article 116, paragraph (1) of the Companies Act, consolidation of shares prescribed in Article 182-2, paragraph (1) of that Act, business transfer, etc., absorption-type merger, absorption-type split, or share exchange or share delivery takes effect or until the incorporation date of the company that is incorporated as a result of a consolidation-type merger, incorporation-type company split, share transfer or share delivery</p>	<p>the day on which a consolidation of preferred equity or a change to an asset securitization plan takes effect</p>

Article 159, paragraph (1)	share whose certificate has been registered as lost	preferred equity investment certificates subject to public notification proceedings (meaning public notification proceedings prescribed in Article 142 of the Non-Contentious Cases Procedures Act) on the fixed date referred to in Article 131, paragraph (1), item (i)
	, until the day of cancellation of registration (meaning the day of cancellation of registration prescribed in Article 230, paragraph (1) of the Companies Act; hereinafter the same applies in this Article).	,
Article 159, paragraph (2)	on the day of cancellation of registration	without delay upon receipt of a request accompanied by an authenticated copy or certified copy of a decision on a right to separate satisfaction involving the preferred equity investment certificates referred to in that paragraph and other documents specified by order of the competent ministry
	the registered holder (meaning a registered holder prescribed in Article 221, item (iii) of the Companies Act) that is the registrant of lost share certificate (meaning the registrant of lost share certificate prescribed in Article 224, paragraph (1) of that Act) or any other person specified by order of the competent ministry	the person making the request
	registered holder or similar person	requester
	by the day of the cancellation of registration	by the day of the request
Article 159, paragraph (3), item (i)	registered holder or similar person	requester

Article 159-2, paragraph (2)	Article 130, paragraph (1) of that Act	Article 45, paragraph (1) of the Act on the Securitization of Assets
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(Making Entries or Records of the Cancellation of Book-Entry Transfer Preferred Equity Investment)

- Article 240 (1) When the issuer of book-entry transfer preferred equity investment of a particular issue (meaning an issue prescribed in Article 129, paragraph (3), item (ii) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article; hereinafter the same applies from this Article through Article 243) seeks to cancel the preferred equity investment (other than the case prescribed in paragraph (1) of the following Article and Article 242, paragraph (1)), the issuer of the book-entry preferred equity investment must give notice of the deletion of the book-entry transfer preferred equity investment after either the fixed date referred to in Article 245, paragraph (3) or the time of completion of the procedures pursuant to the provisions of Article 111, paragraphs (2) through (4) of the Act on the Securitization of Assets, whichever comes later, without delay. In such a case, the notice is to be given to the immediately superior institution of the participant for whom the reduction resulting from the deletion will be entered or recorded in their account (excluding a customer account) (meaning the customer account prescribed in Article 129, paragraph (2), item (ii) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article; hereinafter the same applies in this and the following Article)) files with their immediately superior institution.
- (2) If the notice referred to in the first sentence of the preceding paragraph has been given, a book-entry transfer institution or account management institution must, pursuant to the provisions of paragraphs (4) through (6) and as indicated pursuant to the provisions of the following paragraph in the notice, enter or record the reduction of the book-entry transfer preferred equity investment which has been notified in the book-entry transfer account register that it keeps, or give notice to the person concerned of the reduction.
- (3) The issuer must indicate the following information when giving the notice referred to in the first sentence of the paragraph (1):
- (i) the name and the account of the participant for whom the reduction resulting from the deletion will be entered or recorded in their account;
  - (ii) the issue and number of units of book-entry transfer preferred equity investment for which the reduction is required to be entered or recorded when the deletion is made;
  - (iii) whether the reduction is to be entered or recorded in the holdings column (meaning the holdings column prescribed in Article 130, paragraph (2), item

- (i), sub-item (a) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article; the same applies in paragraph (3) of the following Article and Article 242, paragraph (5)) or the pledge column (meaning the pledge column prescribed in Article 130, paragraph (2), item (i), sub-item (b) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article; hereinafter the same applies in this and the following Articles) of the account referred to in item (i); and
  - (iv) if the entry or record of the reduction is required to be made in the pledge column of the account referred to in item (i), the names and addresses of the preferred equity members holding book-entry transfer preferred equity investment for which the entry or record is required to be made, and the number of units referred to in item (ii) for each preferred equity member.
- (4) If the notice referred to in the first sentence of paragraph (1) has been given, a book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make the following entries or records in the column indicated pursuant to the provisions of item (iii) of the preceding paragraph of the account referred to in item (i) of that paragraph:
    - (a) an entry or record of the reduction in the number of units referred to in item (ii) of the preceding paragraph; and
    - (b) if the entry or record of the reduction referred to in sub-item (a) is to be made in the pledge column, an entry or record of the reduction in the number of units for each preferred equity member referred to in item (iv) of the preceding paragraph,.
  - (ii) give notice to the immediately superior institution of the information indicated pursuant to item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (5) If the notice referred to in item (ii) of the preceding paragraph has been given, the book-entry transfer institution or account management institution that has been notified must immediately take the following measures:
- (i) make an entry or record of the reduction in the number of units referred to in paragraph (3), item (ii) in the customer account under the account of the account management institution that has given the notice;
  - (ii) give notice to the immediately superior institution of the information which has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the book-entry transfer institution or account management institution is an account management institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a book-entry transfer institution or account management institution that has received the notice referred to in item (ii) of the preceding paragraph (including as



applied mutatis mutandis pursuant to this paragraph), if the notice has been given.

(Making Entries or Records of the Cancellation of All Preferred Equity Investment)

Article 241 (1) When the issuer of book-entry transfer preferred equity investment seeks to cancel all of the book-entry transfer preferred equity investment of a particular issue, they must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the effective date under item (ii):

(i) the issue of book-entry transfer preferred equity investment subject to the cancellation;

(ii) the effective date referred to in Article 245, paragraph (1).

(2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph regarding the issue of book-entry transfer preferred equity investment which has been notified.

(3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must delete the entries or records for all book-entry transfer preferred equity investment referred to in paragraph (1), item (i) from the holdings or pledge column (meaning the holdings or pledge column prescribed in Article 136, paragraph (3) as applied mutatis mutandis pursuant to Article 239, paragraph (1); the same applies in paragraphs (3) and (5) of the following Article) of the book-entry transfer account register that it keeps in which entries or records have been made for the book-entry transfer preferred equity investment, either on the effective date referred to in paragraph (1), item (ii) or at the time of completion of the procedures pursuant to the provisions of Article 111, paragraphs (2) through (4) of the Act on the Securitization of Assets, whichever comes later.

(4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.

(Making Entries or Records of the Cancellation of Book-Entry Transfer Preferred Equity Investment in Proportion to the Number of Units of Preferred Equity Investment Held)

Article 242 (1) When the issuer of book-entry transfer preferred equity investment seeks to cancel preferred equity investment of a particular issue in

proportion to the number of units held by preferred equity members, the issuer must notify the book-entry transfer institution to which they have given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the effective date referred to in item (iii):

- (i) the issue of book-entry transfer preferred equity investment subject to cancellation;
  - (ii) the percentage obtained by deducting the percentage of the total number of issued units referred to in sub-item (a) to the total number of issued units referred to in sub-item (b) from one (hereinafter referred to as the "reduction ratio" in this Article):
    - (a) the total number of issued units of the book-entry transfer preferred equity investment after the cancellation of preferred equity investment;
    - (b) the total number of issued units of the book-entry transfer preferred equity investment before the cancellation of preferred equity investment.
  - (iii) the effective date referred to in Article 245, paragraph (1); and
  - (iv) the issuer's account (if there are two or more accounts, one of them).
- (2) If the notice referred to in the preceding paragraph has been given, the book-entry transfer institution that has been notified must immediately notify its immediately subordinate institution of the information set forth in the items of that paragraph concerning the issue of book-entry transfer preferred equity investment which has been notified.
- (3) If the notice referred to in paragraph (1) has been given, the book-entry transfer institution that has been notified must make entries or records in the holdings or pledge column in which entries or records have been made for book-entry transfer preferred equity investment referred to in item (i) of that paragraph in the book-entry transfer account register that it keeps, of the reductions in the number obtained when each number that have been entered or recorded in a holdings or pledge column is multiplied by the reduction ratio, either on the effective date referred to in paragraph (1), item (iii) or at the time of completion of the procedures pursuant to the provisions of Article 111, paragraphs (2) through (4) of the Act on the Securitization of Assets, whichever comes later.
- (4) If the notice referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph) has been given, the provisions of the preceding two paragraphs apply mutatis mutandis to the account management institution that has received the notice.
- (5) Notwithstanding the provisions of paragraph (3), if a book-entry transfer institution's entry or record of the reduction pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) results in a number less than one to be recorded or entered in a holdings or pledge

column prescribed paragraph (3), in lieu of making the entry or record that is required to be made for the holdings or pledge column, the book-entry transfer institution or account management institution must make an entry or record prescribed by Cabinet Order in the holdings or pledge column of the participant of that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and give necessary directions to its subordinate institution for making the entry or record pursuant to the provisions of Cabinet Order. In such a case, the subordinate institution must take measures that comply with those directions.

(Handling in the Case the Issuer Cancels Book-Entry Transfer Preferred Equity Investment in Error)

Article 243 (1) Even if an issuer acts in good faith, the cancellation of book-entry transfer preferred equity investment established pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) as applied mutatis mutandis pursuant to Article 239, paragraph (1) that it is not permissible to assert against the issuer does not have the effect of reducing the number of units of other book-entry transfer preferred equity investment which may be asserted against the issuer.

(2) If a preferred equity member is paid money at the time of cancellation of the preferred equity investment prescribed in the preceding paragraph, the preferred equity member does not assume the duty to return the money to the issuer.

(3) If an issuer cancels the preferred equity investment prescribed in paragraph (1), they acquire the rights of a preferred equity member pursuant to the provisions of Article 147, paragraph (2) or Article 148, paragraph (2) as applied mutatis mutandis pursuant to Article 239, paragraph (1), toward the book-entry transfer institution or account management institution, to the extent of the amount of money prescribed in the preceding paragraph.

(Special Provisions When Issued Preferred Equity Investment Is Regarded As Book-Entry Transfer Preferred Equity Investment)

Article 244 When an issuer seeks to give the consent referred to in Article 13, paragraph (1) to preferred equity investment that has been issued, the pledgee (excluding the registered pledgee of preferred equity investment (meaning the registered pledgee of preferred equity investment prescribed in Article 43, paragraph (4) of the Act on the Securitization of Assets)) of that preferred equity investment may demand that the issuer enter or record the information set forth in the items of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 45, paragraph (4) of the Act on the Securitization of Assets in the preferred equity member register (meaning the preferred

equity member register prescribed in Article 43, paragraph (1) of that Act), by the day before the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to Article 239, paragraph (1).

(Special Provisions of the Act on the Securitization of Assets on Cancellation of Book-Entry Transfer Preferred Equity Investment)

Article 245 (1) When the issuer seeks to cancel preferred equity investment for book-entry transfer preferred equity investment, they must issue public notice of that fact and the fact that the cancellation will take effect on the effective date prescribed in Article 47, paragraph (3) of the Act on the Securitization of Assets, by two weeks prior to the effective date.

(2) In the case prescribed in the preceding paragraph, the cancellation of preferred equity investment takes effect on the effective date referred to in that paragraph (or at the time of completion of the procedures pursuant to the provisions of Article 111, paragraphs (2) through (4) of the Act on the Securitization of Assets, if the procedures have not been completed on the effective date).

(3) Notwithstanding the provisions of paragraph (1), in the case prescribed in Article 240, paragraph (1), the issuer must issue public notice of the fact that they will cancel the book-entry transfer preferred equity investment and that they will give notice of the deletion of the book-entry transfer preferred equity investment referred to in Article 240, paragraph (1) after the date fixed by the issuer or after the time of completion of the procedures pursuant to the provisions of Article 111, paragraphs (2) through (4) of the Act on the Securitization of Assets, whichever comes later, by two weeks prior to that date.

(4) Notwithstanding the provisions of paragraph (2), in the case prescribed in Article 240, paragraph (1), the cancellation of preferred equity investment takes effect on the day that an entry or record of the reduction referred to in paragraph (4), item (i), sub-item (a) of that Article has been made.

(Special Provisions of the Act on the Securitization of Assets on the Merger of Book-Entry Transfer Preferred Equity Investment)

Article 246 (1) When seeking to merge the book-entry transfer preferred equity investment, the issuer must issue public notice of the information set forth in the items of Article 180, paragraph (2), items (i) through (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 50, paragraph (1) of the Act on the Securitization of Assets by twenty days prior to the date prescribed in item (ii) of that paragraph.

(2) In the case prescribed in the preceding paragraph, the merger of preferred equity investment takes effect on the day referred to in Article 180, paragraph (2), item (ii) of the Companies Act as applied mutatis mutandis pursuant to

Article 50, paragraph (1) of the Act on the Securitization of Assets.

(Exemption of Book-Entry Transfer Preferred Equity Investment from Application of the Act on the Securitization of Assets)

Article 247 (1) The provisions of Article 132, paragraph (1), items (ii) and (iii) and paragraph (2), and Article 133 of the Companies Act as applied mutatis mutandis pursuant to Article 45, paragraph (3) of the Act on the Securitization of Assets and the provisions of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 45, paragraph (4) of the Act on the Securitization of Assets do not apply to the book-entry transfer preferred equity investment.

(2) Notwithstanding the provisions of Article 116, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 153, paragraph (4) of the Act on the Securitization of Assets, in lieu of give the notice pursuant to the provisions of that paragraph, a special purpose company issuing book-entry transfer preferred equity investment must issue public notice of the information for which notice is required to be given.

#### **Section 4 Book-Entry Transfer of Investment Equity Subscription Rights**

(Attribution of Rights)

Article 247-2 The attribution of rights under investment equity subscription rights (meaning investment equity subscription rights as defined in Article 2, paragraph (17) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) handled by a book-entry transfer institution which are provided for in a decision to issue investment equity subscription rights establishing that all investment equity subscription rights issued based on that decision (limited to those resulting in the issuance of book-entry transfer investment equity when exercised) will be subject to the application of this Act (hereinafter referred to as "book-entry transfer investment equity subscription rights") is established by the entries or records in a book-entry transfer account register pursuant to the provisions of this Section.

(Application, Mutatis Mutandis of Provisions on Share Options to Investment Equity Subscription Rights)

Article 247-3 (1) The provisions of Chapter VIII (excluding the provisions of Article 163, Article 167, paragraph (2), Article 184 (excluding paragraph (2)), Article 189 (excluding paragraph (3)), Article 189-2, and Article 190; the same applies in the following paragraph) apply mutatis mutandis to investment equity subscription rights. In such a case, in these provisions, the phrase "share option certificates" is deemed to be replaced with "investment equity

subscription right certificates"; the phrase "share options subject to call" is deemed to be replaced with "investment equity subscription rights subject to call"; and the phrase "exercise of appraisal rights on share options" is deemed to be replaced with "exercise of appraisal rights on investment equity subscription rights", except in the cases prescribed in the following paragraph,

(2) In cases in which the provisions of Chapter VIII are applied mutatis mutandis to investment equity subscription rights, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 164, paragraph (1)	share option certificates	investment equity subscription rights certificates (meaning the investment equity subscription rights certificates as defined in Article 2, paragraph (18) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter)
Article 167, paragraph (1)	or the person specified by order of the competent ministry as being equivalent to the company, if it is to deliver book-entry transfer share options at the time of a consolidation-type merger or in any other case specified by order of the competent ministry; hereinafter	hereinafter

Article 169, paragraph (2)	shares in a company disappearing in a merger	investment equity held by an investor that is to receive the allotment of investment equity subscription rights without contribution (meaning the allotment of investment equity subscription rights without contribution prescribed in Article 88-13 of the Act on Investment Trusts and Investment Corporations; hereinafter the same applies in this paragraph)
	shareholder register	investors register (meaning an investors register prescribed in Article 77-3, paragraph (1) of that Act)
	that replace those shares at the time of the merger	at the time of allotment of investment equity subscription rights without contribution
Article 183, paragraph (1)	any amendment to the articles of incorporation set forth in the items of Article 118, paragraph (1) of the Companies Act, perform an entity conversion, a merger, conclusion of an absorption-type split agreement, an incorporation-type split, conclusion of a share exchange agreement, or a share transfer	a merger
	Article 118, paragraph (1), Article 777, paragraph (1), Article 787, paragraph (1), or Article 808, paragraph (1) of that Act	Article 149-3-2, paragraph (1) or Article 149-13-2, paragraph (1) of the Act on Investment Trusts and Investment Corporations

Article 183, paragraph (2)	Article 118, paragraph (3), Article 777, paragraph (3), Article 787, paragraph (3), or Article 808, paragraph (3) of the Companies Act	Article 149-3-2, paragraph (2) or Article 149-13-2, paragraph (2) of the Act on Investment Trusts and Investment Corporations
Article 183, paragraph (3)	Article 118, paragraph (4), Article 777, paragraph (4), Article 787, paragraph (4), or Article 808, paragraph (4) of the Companies Act	Article 149-3-2, paragraph (3) or Article 149-13-2, paragraph (3) of the Act on Investment Trusts and Investment Corporations
	Article 118, paragraph (3), Article 777, paragraph (3), Article 787, paragraph (3), or Article 808, paragraph (3)	Article 149-3-2, paragraph (2) or Article 149-13-2, paragraph (2)
Article 183, paragraph (5)	the day on which any amendment to the articles of incorporation set forth in the items of Article 118, paragraph (1) of the Companies Act, entity conversion, absorption-type merger, absorption-type split, or share exchange takes effect, or until the incorporation date of the company that is incorporated as a result of a consolidation-type merger, incorporation-type split, or share transfer	the day on which an absorption-type merger takes effect or until the incorporation date of an investment corporation that is incorporated as a result of a consolidation-type merger
Article 184, paragraph (2)	Article 249, item (iii) of the Companies Act	Article 88-5, paragraph (1), item (ii) of the Act on Investment Trusts and Investment Corporations
	share option register	investment equity subscription rights register (meaning the investment equity subscription rights register prescribed in that paragraph)



Article 185, paragraph (1)	Article 273, paragraph (1) of the Companies Act	Article 88-9, paragraph (1) of the Act on Investment Trusts and Investment Corporations
	this Chapter and the following Chapter	this Chapter
	Article 236, paragraph (1), item (vii), sub-item (a)	Article 88-2, item (iv), sub-item (a)
Article 185, paragraph (2)	Article 275, paragraph (1) of the Companies Act	Article 88-11, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 185, paragraph (3)	Article 236, paragraph (1), item (vii), sub-item (a) of the Companies Act	Article 88-2, item (iv), sub-item (a) of the Act on Investment Trusts and Investment Corporations
Article 185, paragraph (4)	Article 275, paragraph (1) of the Companies Act	Article 88-11, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 189, paragraph (3)	a merger (but only one in which the issuer will be dissolved), absorption-type split (but only one that is prescribed in Article 758, item (v) of the Companies Act), incorporation-type split (but only one that is prescribed in Article 763, paragraph (1), item (x) of that Act), share exchange (but only one that is prescribed in Article 768, paragraph (1), item (iv) of that Act), or share transfer (but only one that is prescribed in Article 773, paragraph (1), item (ix) of that Act)	a merger (but only one in which the issuer will be dissolved)

	any of these acts (hereinafter referred to as the "merger, split, exchange, or transfer" in this Article)	absorption-type merger
	merger, split, exchange, or transfer	consolidation-type merger

(Exclusion from Application)

Article 247-4 The provisions of Article 88-8, paragraph (1) of the Act on Investment Trusts and Investment Corporations, Article 259, paragraph (1) and Article 260, paragraphs (1) and (2) of the Companies Act as applied mutatis mutandis pursuant to Article 88-8, paragraph (4) of the Act on Investment Trusts and Investment Corporations, and Article 268, paragraph (1) and Article 269, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 88-8, paragraph (5) of the Act on Investment Trusts and Investment Corporations do not apply to book-entry transfer investment equity subscription rights.

**Section 5 Book-Entry Transfer of Subscription Rights for New Preferred Equity Investment in a Special Purpose Company**

(Attribution of Rights)

Article 248 (1) The attribution of rights constituting subscription rights for new preferred equity investment (meaning subscription rights for new preferred equity investment prescribed in Article 139, paragraph (2) of the Act on the Securitization of Assets; the same applies hereinafter) embedded in specified corporate bonds handled by a book-entry transfer institution which are provided for in a decision to issue specified bonds with preferred equity subscription rights establishing, in an asset securitization plan (meaning the asset securitization plan as defined in Article 2, paragraph (4) of the Act on the Securitization of Assets), that only the subscription rights for the new preferred equity investment may be transferred, and establishing that all of the specified bonds with preferred equity subscription rights that are issued based on that decision (limited to those resulting in the issuance of book-entry transfer preferred equity investment when the subscription rights for new preferred equity investment embedded in the specified corporate bonds are exercised) will be subject to the application of this Act (hereinafter the rights are referred to as "book-entry transfer subscription rights for new preferred equity investment") is established by the entries or records in a book-entry transfer account register pursuant to the provisions of this Section.

(2) In this Section, the number of units of book-entry transfer subscription rights

for new preferred equity investment is determined by the amount paid-in for preferred equity investment issued upon exercise of book-entry transfer subscription rights for new preferred equity investment.

(Application, Mutatis Mutandis of Provisions on Share Options to Subscription Rights for New Preferred Equity Investment)

Article 249 (1) The provisions of Chapter VIII (excluding the provisions of Articles 163, Article 164, paragraph (3), Article 166, paragraph (1), items (v) through (vii) and paragraph (2), item (i), sub-items (b) through (d), Article 167, Article 168, paragraph (3), items (iii) and (vi), paragraph (4), item (i), sub-item (b) and item (iv), paragraph (5), item (iv), and paragraph (7), item (ii), Article 169, Article 169-2, Article 171, Article 183, Article 184, paragraphs (2) and (4), Articles 185 through 187, and Articles 189 through Article 190; the same applies in the following paragraph) apply mutatis mutandis to subscription rights for new preferred equity investment. In such a case, the terms in the left-hand column of the following table are deemed to be replaced with the terms in the right-hand column, except in the cases prescribed in the following paragraph.

number	amount
total number	total amount
increase	increase
reduction	reduction
number subject to book entry transfer	amount subject to book entry transfer
total issued number	total issued amount
aggregate number	aggregate amount
number in overage	amount of the overage
maximum number ascribable to the account management institution	maximum amount ascribable to the account management institution

(2) When the provisions of Chapter VIII are applied mutatis mutandis to subscription rights for new preferred equity investment, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 164, paragraph (1)	share option certificates	preferred equity subscription warrants (meaning preferred equity subscription warrants prescribed in Article 142, paragraph (1) of the Act on the Securitization of Assets; the same applies hereinafter)
Article 164, paragraph (2)	share option certificates	preferred equity subscription warrants
Article 165, paragraph (3), item (iv)	the number of book-entry transfer share options underlying the pledge by issue, the number of book-entry transfer share options of each issue for each share option holder , and the names and addresses of the share option holders;	amount of preferred equity subscription rights underlying the pledge by issue;
Article 166, paragraph (1)	the day on which they issue the book-entry transfer share options	the day on which they issue the book-entry transfer specified bonds with subscription rights for new preferred equity investment (meaning book-entry transfer specified bonds with subscription rights for new preferred equity investment prescribed in Article 139, paragraph (1) of the Act on the Securitization of Assets; the same applies hereinafter) related to the book-entry transfer subscription rights for new preferred equity investment
Article 166, paragraph (1), item (ii)	the holders and pledgees of	the holders of
Article 166, paragraph (1), item (iv)	the number of book-entry transfer bonds with share options referred to in item (i) for each participant (other than those set forth in the following item);	the amount of new preferred equity investment for each participant
Article 166, paragraph (2), item (i), sub-item (a)	a participant referred to in item (ii) of that paragraph (limited to one that is a holder of share options referred to in that item),	a participant referred to in item (ii) of that paragraph

<p>Article 166, paragraph (2), item (ii)</p>	<p>the sum of the number referred to in item (iv) of the preceding paragraph and the number of book-entry transfer share options referred to in item (v) of that paragraph</p>	<p>the amount referred to in item (iv) of the preceding paragraph</p>
	<p>, and give notice to the immediately subordinate institution of the information set forth in items (i) through (viii) of that paragraph,</p>	<p>, as well as give notice to the immediately subordinate institution of the information set forth in items (i) through (iv) and item (viii) of that paragraph,</p>
<p>Article 168, paragraph (3), item (ii)</p>	<p>or the pledge column of the account of the participant referred to in the preceding paragraph</p>	<p>of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 165, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);</p>
<p>Article 168, paragraph (4), item (i), sub- item (a)</p>	<p>number subject to book entry transfer</p>	<p>amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book entry transfer" in this Article)</p>
<p>Article 168, paragraph (4), items (ii) and (v)</p>	<p>and items (iv) through (vi)</p>	<p>, item (iv) and item (v)</p>
<p>Article 172</p>	<p>from the holdings or pledge column of the book-entry transfer account register that it keeps in which entries or records have been made for the book-entry transfer share options</p>	<p>from the account of the book-entry transfer account register that it keeps in which entries or records have been made for the book-entry transfer subscription rights for new preferred equity investment (for accounts other than the Institution-Held Account or a customer account, the holdings column or the pledge column of that account</p>

Article 177	excluding the purchase account prescribed in Article 183, paragraph (1); limited to their own account, if the account is that of an account management institution	limited to their own account, if the account is that of an account management institution
the part other than what is listed in the items of Article 179, paragraph (1) and item (ii) of that paragraph	retired or exercised	exercised
	the number of	the amount of
	deducting the total issued number	deducting the total issued amount
the part other than what is listed in the items of Article 180, paragraph (1)	deducting the number referred to in	deducting the amount referred to in
	in a number	in an amount
Article 180, paragraph (3)	in a number	in an amount
Article 181, paragraph (1) and Article 182, paragraph (1)	the number related to	the amount related to
	by deducting the number	by deducting the amount
	multiplied by the number	multiplied by the amount
Article 184, paragraph (1)	The issuer of	The issuer of specified corporate bonds with subscription rights for new preferred equity investment that constitutes
	given pursuant to the provisions of Article 242, paragraph (1) of the Companies Act that it concerning those book-entry transfer share options	Article 122, paragraph (1) of the Act on the Securitization of Assets that it gives about those specified corporate bonds with subscription rights for new preferred equity investments

	apply to those book-entry transfer share options in	apply to the book-entry transfer share options related to those specified bonds with preferred equity subscription rights in
Article 184, paragraph (3)	to subscribe for	to subscribe for specified bonds with preferred equity subscription rights related to
	the account (excluding a special account)	the account
	Article 242, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on the Securitization of Assets
	Article 244, paragraph (1)	Article 124
	to the issuer of	to the issuer of the specified bonds with preferred equity subscription rights related to

### **Section 6 Book-Entry Transfer of Convertible Specified Bonds Issued by Special Purpose Companies**

#### (Attribution of Rights)

Article 250 The attribution of rights (other than a claim for interest that has become due without being seized) under convertible specified bonds that are provided for in a decision to issue convertible specified bonds establishing that all convertible specified bonds issued based on that decision (but only bonds that result in the issuance of book-entry transfer preferred equity investment when converted) will be subject to the provisions of this Act, and that are handled by a book-entry transfer institution (hereinafter referred to as "convertible, specified book-entry transfer corporate bonds") is established by the entries or records in a book-entry transfer account register pursuant to the provisions of this Section.

#### (Application, Mutatis Mutandis of Provisions on Corporate Bonds with Share Options to Convertible Specified Bonds)

Article 251 (1) The provisions of the preceding Chapter (excluding the provisions of Article 192, Article 195, paragraph (1), items (v) through (vii) and paragraph (2), item (i), sub-items (b) through (d), Article 196, Article 197, paragraph (3), items (iii) and (vi), paragraph (4), item (i), sub-item (b) and item (iv), paragraph (5), item (iv) and paragraph (7), item (ii), Article 198, Article 198-2, Articles 200 through 203, Article 210, paragraph (2), Article 215, Article 216, paragraphs (2) and (5), Articles 217 through 219, Article 222, paragraphs (5) and (6), Articles 223 through 224, and Article 225, paragraph (1), items (ii) and

(iii); the same applies in the following paragraph) apply mutatis mutandis to convertible specified bonds. In such a case, the terms in the left-hand column of the following table are deemed to be replaced with the terms in the right-hand column, except in the cases prescribed in the following paragraph.

corporate bond certificates with share options	convertible specified corporate bondcertificates
number	amount
total number	total amount
increase	increase
reduction	reduction
number subject to book entry transfer	amount subject to book entry transfer
total issued number	total issued amount
aggregate number	aggregate amount
number in overage	amount of the overage
maximum number ascribable to the book-entry transfer institution	maximum amount ascribable to the book-entry transfer institution
maximum number ascribable to the account management institution	maximum amount ascribable to the account management institution
bondholders meeting	specified corporate bondholders meeting
corporate bond administrator	specified corporate bond administrator
assistant bond administrator	assistant specified bond administrator

(2) When the provisions of the preceding Chapter are applied mutatis mutandis to convertible specified corporate bonds, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 193, paragraph (1)	Article 249, paragraph (2) of the Companies Act	Article 133, paragraph (2) of the Act on Securitization of Assets
Article 194, paragraph (3), item (ii)	the type of book-entry transfer bonds with share options (if the share option embedded in the Book-Entry Transfer Bond has already been exercised or the corporate bond itself has already been redeemed, including that fact;	the type of book-entry transfer bonds with share options (



Article 194, paragraph (3), item (iv)	, that fact;	, that fact and
	the number of book-entry transfer bonds with share options underlying the pledge by issue, the number of book-entry transfer bonds with share options of each issue for each holder of book-entry transfer bonds with share options, and the names and addresses of the holders of those book-entry transfer bonds with share options;	the amount of the convertible specified corporate bonds underlying the pledge by issue;
Article 195, paragraph (1), item (ii)	the holders or pledgees of	the holders of
Article 195, paragraph (1), item (iv)	the number of book-entry transfer bonds with share options referred to in item (i) for each participant (other than that set forth in the following item);	the amount of convertible specified corporate bonds for each participant;
Article 195, paragraph (1), item (ix)	, the total amount of those book-entry transfer bonds with share options, the period during which the share options embedded in the book-entry transfer bonds with share options may be exercised,	; the period during which the conversion of those convertible specified corporate bonds may be demanded;
Article 195, paragraph (2), item (i), sub- item (a)	a participant referred to in item (ii) of that paragraph (limited to one that is a bondholder as referred to in that item),	a participant referred to in item (ii) of that paragraph,
Article 195, paragraph (2), item (ii)	the sum of the number referred to in item (iv) of the preceding paragraph and the number of book-entry transfer share options referred to in item (v) of that paragraph	the amount referred to in item (iv) of the preceding paragraph

	, and notify the immediately subordinate institution of the information set forth in items (i) through (viii) of that paragraph,	, as well as notify the immediately subordinate institution of the information set forth in items (i) through (iv) and item (viii) of that paragraph,
Article 197, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 194, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 197, paragraph (4), item (i), sub-item (a)	number subject to book entry transfer	amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book entry transfer" in this Article)
Article 197, paragraph (4), items (ii) and (v)	and items (iv) through (vi)	, items (iv) and (v)

Article 199, paragraph (7)	through a bond administrator or similar person (meaning a bond administrator or similar person prescribed in Article 71, paragraph (7), the same applies in the following paragraph)	through a specified corporate bond administrator (meaning a specified corporate bond administrator prescribed in Article 126 of the Act on Securitization of Assets; the same applies hereinafter), assistant specified corporate bond administrator (meaning an assistant specified corporate bond administrator prescribed in Article 127-2, paragraph (1) of that Act and limited to one that is authorized to receive redemption of book-entry transfer specified corporate bonds for a specified corporate bondholder or pledgee; the same applies hereinafter) or a trust company under a trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act (hereinafter referred to as the "specified corporate bond administrator or similar person" in the following paragraph)
	the number of book-entry transfer bonds with share options that corresponds to the amount of corporate bonds for	an amount equal to that of
Article 199, paragraph (8)	bond administrator or similar person	specified corporate bond administrator or similar person
Article 208	excluding the purchase account prescribed in Article 215, paragraph (1); limited to their own account, if the account is that of an account management institution	limited to their own account, if the account is that of an account management institution
Article 210, paragraph (1)	deducting the total issued number	deducting the total issued amount
Article 210, paragraph (1), item (ii)	the total issued number	the total issued amount (excluding any amount that has been converted or redeemed)

the part other than what is listed in the items of Article 211, paragraph (1)	deducting the number	deducting the amount
	in a number	in an amount
Article 211, paragraph (3)	in a number	in an amount
Article 212, paragraph (1)	number related to	amount related to
	deducting the number	deducting the amount
	is multiplied by the number	is multiplied by the amount of the
Article 212, paragraph (2), item (i)	of that issue (other than those that have had the corporate bond redeemed)	of that issue
	up to the maximum number ascribable to the book-entry transfer institution	up to the maximum amount ascribable to the book-entry transfer institution
Article 213, paragraph (1)	number related to	amount related to
	deducting the number	deducting the amount
	is multiplied by the number	is multiplied by the amount of the
Article 213, paragraph (2), item (i)	of that issue (other than those that have had the corporate bond redeemed)	of that issue
	up to the maximum number ascribable to the account management institution	up to the maximum amount ascribable to the account management institution
Article 214, paragraph (1)	in an amount corresponding to the part	in an amount of
Article 216, paragraph (1)	Article 242, paragraph (1) of the Companies Act	Article 122, paragraph (1) of the Act on the Securitization of Assets
Article 216, paragraph (3)	corporate bond register	specified bond register (meaning a specified bond register prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on the Securitization of Assets following the deemed replacement of terms)
Article 216, paragraph (4)	the account (excluding a special account)	the account

	Article 242, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on the Securitization of Assets
	Article 244, paragraph (1)	Article 124
Article 220	exercising share options embedded in book-entry transfer bonds	requesting the conversion of a convertible, specified book-entry transfer corporate bond (meaning a convertible, specified book-entry transfer corporate bond prescribed in Article 250)
Article 221, paragraph (1)	to vote at a bondholders meeting in proportion to the amount of the corporate bonds associated with	to vote at a specified corporate bondholders meeting (meaning a specified company bondholders meeting prescribed in Article 129, paragraph (1) of the Act on the Securitization of Assets; the same applies hereinafter) in proportion to
Article 222, paragraph (1)	the main clause of paragraph (3) or the main clause of paragraph (5)	the main clause of paragraph (3)

(Exemption of Convertible, Specified Book-Entry Transfer Corporate Bonds from Application of the Act on the Securitization of Assets)

Article 252 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) through (3), Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1), and Article 695-2, paragraphs (1) through (3) of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on the Securitization of Assets do not apply to convertible, specified book-entry transfer corporate bonds.

**Section 7 Book-Entry Transfer of Specified Bonds with Preferred Equity Subscription Rights in Special Purpose Companies**

(Attribution of Rights)

Article 253 The attribution of rights (other than a claim for interest that has become due without being seized) under specified bonds with preferred equity subscription rights handled by a book-entry transfer institution, which are provided for in a decision to issue specified bonds with preferred equity subscription rights establishing that all specified bonds with preferred equity subscription rights issued based on that decision (but only those which result in the issuance of book-entry transfer preferred equity investment upon the exercise of the subscription rights for new preferred equity investment

embedded in the specified corporate bonds) will be subject to the application of this Act (excluding book-entry transfer subscription rights for new preferred equity investment prescribed in Article 248, paragraph (1); hereinafter referred to as the "book-entry transfer specified bonds with preferred equity subscription rights ") is established by the entries or records in a book-entry transfer account register pursuant to the provisions of this Section.

(Application, Mutatis Mutandis of Provisions on Corporate Bonds with Share Options to Specified Bonds with Preferred Equity Subscription Rights)

Article 254 (1) The provisions of the preceding Chapter (excluding the provisions of Article 192, Article 195, paragraph (1), items (v) through (vii) and paragraph (2), item (i), sub-items (b) through (d), Article 196, Article 197, paragraph (3), items (iii) and (vi), paragraph (4), item (i), sub-item (b) and item (iv), paragraph (5), item (iv), and paragraph (7), items (ii), Article 198, Article 198-2, Article 200, Article 215, Article 216, paragraphs (2) and (5), Articles 217 through 219, Article 222, paragraphs (5) and (6), and Articles 223 through 224; the same applies in the following paragraph) apply mutatis mutandis to specified bonds with preferred equity subscription rights. In such a case, the terms set forth in the left-hand column of the following table are deemed to be replaced with the terms set forth in the right-hand column, except in the cases prescribed in the following paragraph.

corporate bond certificates with share options	specified bonds with preferred equity subscription rights
number	amount
increase	increase
reduction	reduction
number subject to book entry transfer	amount subject to book entry transfer
total number	total amount
total issued number	total issued amount
aggregate number	aggregate amount
number in overage	amount of the overage
maximum number ascribable to the book-entry transfer institution	maximum amount ascribable to the book-entry transfer institution
maximum number ascribable to the account management institution	maximum amount ascribable to the account management institution
bondholders meeting	specified corporate bondholders meeting
corporate bond administrator	specified corporate bond administrator
assistant bond administrator	assistant specified bond administrator

(2) When the provisions of the preceding Chapter are applied mutatis mutandis

to specified bonds with preferred equity subscription rights, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 193, paragraph (1)	Article 249, item (ii) of the Companies Act	Article 141, paragraph (2) of the Act on Securitization of Assets
Article 194, paragraph (3), item (ii)	the share option	the subscription rights for new preferred equity investment (meaning the subscription rights for new preferred equity investment prescribed in Article 139, paragraph (2) of the Act on Securitization of Assets; the same applies hereinafter)
	or the	if the subscription rights for new preferred equity investment are not embedded in book-entry transfer specified bonds with preferred equity subscription rights (meaning book-entry transfer specified bonds with preferred equity subscription rights prescribed in Article 253), or the
Article 194, paragraph (3), item (iv)	, that fact,	, that fact and
	the number of book-entry transfer bonds with share options underlying the pledge by issue; the number of book-entry transfer bonds with share options of each issue for each bondholder of book-entry transfer bonds with share options; and the names and addresses of the holders of those book-entry transfer bonds with share options;	the amount of the subscription rights for new preferred equity investment underlying the pledge by issue;
Article 195, paragraph (1), item (ii)	the holders or pledgees of	the holders of

Article 195, paragraph (1), item (iv)	the number of book-entry transfer bonds with share options referred to in item (i) for each participant (other than that set forth in the following item);	the amount of subscription rights for new preferred equity investment for each participant;
Article 195, paragraph (1), item (ix)	the total number of book-entry transfer bonds with share options referred to in item (i), the total amount of those book-entry transfer bonds with share options,	the total amount of the subscription rights for new preferred equity investment,
Article 195, paragraph (2), item (i), sub- item (a)	participant referred to in item (ii) of that paragraph (limited to one that is a bondholder as referred to in that item),	participant,
Article 195, paragraph (2), item (ii)	the sum of the number referred to in item (iv) of the preceding paragraph and the number of book-entry transfer bonds with share options referred to in item (v) of that paragraph	the amount referred to in item (iv) of the preceding paragraph
	, and notify the immediately subordinate institution of the information set forth in items (i) through (viii) of that paragraph,	, as well as notify the immediately subordinate institution of the information set forth in items (i) through (iv) and item (viii) of that paragraph,
Article 197, paragraph (3), item (ii)	or the pledge column of the account of the participant referred to in the preceding paragraph	of the account of the participant referred to in the preceding paragraph or in the column of that account in which the information set forth in Article 194, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);



Article 197, paragraph (4), item (i), sub-item (a)	number subject to book entry transfer	amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book entry transfer" in this Article)
Article 197, paragraph (4), items (ii) and (v)	and items (iv) through (vi)	, items (iv) and (v)
Article 199, paragraph (7)	through a bond administrator or similar person (meaning a bond administrator or similar person as prescribed in Article 71, paragraph (7); the same applies in the following paragraph)	through a specified corporate bond administrator (meaning a specified corporate bond administrator prescribed in Article 126 of the Act on Securitization of Assets; the same applies hereinafter), assistant specified bond administrator (meaning an assistant specified bond administrator prescribed in Article 127-2, paragraph (1) of that Act and limited to one that is authorized to receive redemption of book-entry transfer specified corporate bonds for a specified corporate bondholder or pledgee; the same applies hereinafter) or a trust company under a trust agreement as defined in Article 2, paragraph (1) of the Secured Bonds Trust Act (hereinafter referred to as the "specified corporate bond administrator or similar person" in the following paragraph)
	the number of book-entry transfer bonds with share options that corresponds to the amount of corporate bonds for	an amount equal to that of
Article 199, paragraph (8)	bond administrator or similar person	specified corporate bond administrator or similar person

Article 201	from the holdings or pledge column in the book-entry transfer account register that it keeps in which entries or records have been made for those book-entry transfer bonds with share options	from the account of the book-entry transfer account register that it keeps in which entries or records have been made for those subscription rights for new preferred equity investment (for accounts other than the institution-held account or a customer account, the holdings column or the pledge column)
Article 202, paragraph (1)	unless the corporate bonds constituting the book-entry transfer bonds with share options cease to exist due to the exercise of the share option	unless a demand referred to in Article 5, paragraph (1), item (ii), sub-item (d-5) of the Act on the Securitization of Assets has been made
Article 203, paragraph (1)	one with extinguished share options	one with extinguished share option or with no
Article 208	excluding the purchase account prescribed in Article 215, paragraph (1); limited to their own account, if the account is that of an account management institution	limited to their own account, if the account is that of an account management institution
Article 210, paragraph (1)	by deducting the total issued number	by deducting the total issued amount
Article 210, paragraph (2), item (i)	retired or exercised	exercised
part other than what is listed in the items of Article 211, paragraph (1)	deducting the number	deducting the amount
	in a number	in an amount
Article 211, paragraph (3)	in a number	in an amount
Article 212, paragraph (1)	number related to	amount related to
	deducting the number	deducting the amount
	is multiplied by the number	is multiplied by the amount of the
Article 212, paragraph (2), item (i)	up to the maximum number ascribable to the book-entry transfer institution	up to the maximum amount ascribable to the book-entry transfer institution

Article 213, paragraph (1)	number related to	amount related to
	deducting the number	deducting the amount
	is multiplied by the number	is multiplied by the amount of the
Article 213, paragraph (2), item (i)	up to the maximum number ascribable to the account management institution	up to the maximum amount ascribable to the account management institution
Article 214, paragraph (1)	in an amount corresponding to the part	an amount of
Article 216, paragraph (1)	Article 242, paragraph (1) of the Companies Act	Article 122, paragraph (1) of the Act on Securitization of Assets
Article 216, paragraph (3)	corporate bond register	specified bond register (meaning a specified bond register prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on Securitization of Assets following the deemed replacement of terms)
Article 216, paragraph (4)	the account (excluding a special account)	the account
	Article 242, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on the Securitization of Assets
	Article 244, paragraph (1)	Article 124
Article 221, paragraph (1)	holds a right to vote at a bondholders meeting in proportion to the amount of the corporate bonds associated with	holds a right to vote at a specified bondholders meeting (meaning a specified bondholders meeting prescribed in Article 129, paragraph (1) of the Act on the Securitization of Assets; the same applies hereinafter) in proportion to
Article 222, paragraph (1)	the main clause of paragraph (3) or the main clause of paragraph (5)	the main clause of paragraph (3)

(Exemption from Application of the Act on the Securitization of Assets to Book-Entry Transfer Specified Bonds with Preferred Equity Subscription Rights)  
Article 255 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) through (3) , Article 688, paragraph (1), Article 690, paragraph

(1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) through (3) of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on the Securitization of Assets do not apply to book-entry transfer specified bonds with preferred equity subscription rights.

## **Chapter XI Book-Entry Transfer for Entity Conversions**

### **Section 1 Book-Entry Transfer for Entity Conversions under the Act on Financial Institutions' Merger and Conversion**

(Making Entries or Records for a Merger of Financial Institutions)

Article 256 (1) The provisions of Article 138, paragraphs (1) through (5) apply mutatis mutandis if a bank incorporated in a consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion (Act No. 86 of 1968) (hereinafter referred to as the "Act on Merger and Conversion" in this Section); hereinafter the same applies in this Section) seeks to deliver book-entry transfer shares to the shareholders of the banks disappearing in the consolidation-type merger (meaning the banks disappearing in a consolidation-type merger prescribed in Article 13, paragraph (1), item (i) of the Act on Merger and Conversion; hereinafter the same applies in this Section) at the time of the consolidation-type merger (meaning a consolidation-type merger as prescribed in Article 2, paragraph (5) of the Act on Merger and Conversion; hereinafter the same applies in this Section), and the shares in the banks disappearing in the consolidation-type merger are book-entry transfer shares. In such a case, the phrase "the effective date of merger or date of incorporation" in Article 138, paragraphs (1) and (3) is deemed to be replaced with "the incorporation date of the bank incorporated in a consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion)".

(2) The provisions of Article 138, paragraphs (1) through (6) apply mutatis mutandis if preferred equity investment (meaning preferred equity investment prescribed in Article 4, paragraph (1) of the Act on Merger and Conversion; hereinafter the same applies in this Section) by a cooperative financial institution disappearing in an absorption-type merger (meaning a cooperative financial institution disappearing in an absorption-type merger as prescribed in Article 9, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) or a cooperative financial institution disappearing in a consolidation-type merger (meaning cooperative financial institutions disappearing in a consolidation-type merger as prescribed

in Article 13, paragraph (1), item (i) of the Act on Merger and Conversion; hereinafter the same applies in this Section) is book-entry transfer preferred equity investment (meaning book-entry transfer preferred equity investment as prescribed in Article 234, paragraph (1) of the Act on Merger and Conversion; hereinafter the same applies in this Section) and the bank surviving the absorption-type merger (meaning the bank surviving the absorption-type merger as prescribed in Article 9, paragraph (1), item (i) of the Act on Merger and Conversion; hereinafter the same applies in this Section) seeks to deliver book-entry transfer shares to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger (meaning at the time of an absorption-type merger as defined in Article 2, paragraph (4) of the Act on Merger and Conversion; hereinafter the same applies in this Section) or the bank incorporated in the consolidation-type merger seeks to deliver book-entry transfer shares to the preferred equity investors of the cooperative financial institution disappearing in the consolidation-type merger at the time of that consolidation-type merger. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date of merger or date of incorporation	effective date (meaning the effective date prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies hereinafter) or the incorporation date of the bank incorporated in a consolidation-type merger (meaning the bank incorporated in a consolidation-type merger prescribed in Article 13, paragraph (1), item (ii) of that Act; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total issued number	total number of issued units
Article 138, paragraph (1), item (iv) and paragraph (3)	effective date of merger or date of incorporation	effective date or the incorporation date of the bank incorporated in a consolidation-type merger
Article 138, paragraph (3), item (i)	the number of	the number of units of

Article 138, paragraph (6)	effective date of merger or date of incorporation	effective date
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(3) The provisions of Article 138, paragraphs (1) through (6) apply mutatis mutandis if the shares in a bank disappearing in an absorption-type merger (meaning a bank disappearing in an absorption-type merger as prescribed in Article 11, paragraph (1), item (i) of the Act on Merger and Conversion; hereinafter the same applies in this Section) or those in a banks disappearing in a consolidation-type merger are book-entry transfer shares and the Shinkin Bank surviving the absorption-type merger (meaning a Shinkin Bank surviving an absorption-type merger as prescribed in Article 11, paragraph (1), item (i) of the Act on Merger and Conversion; hereinafter the same applies in this Section) seeks to deliver book-entry transfer preferred equity investment to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger, or the Shinkin Bank incorporated in the consolidation-type merger (meaning a Shinkin Bank incorporated in a consolidation-type merger as prescribed in Article 15, paragraph (1), item (ii) of the Act on Merger and Conversion; hereinafter the same applies in this Section) seeks to deliver book-entry transfer preferred equity investment to the shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date of merger or date of incorporation	effective date (meaning the effective date prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies hereinafter) or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger (meaning a Shinkin Bank incorporated in a consolidation-type merger prescribed in Article 15, paragraph (1), item (ii) of that Act; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total number of	total number of units of

Article 138, paragraph (1), item (iv)	effective date of merger or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (1), item (vii)	total number	total number of units
Article 138, paragraph (3)	effective date of merger or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (3), item (i)	of the number	of the number of units
Article 138, paragraph (6)	effective date of merger or date of incorporation	effective date

(4) The provisions of Article 138, paragraphs (1) through (6) apply mutatis mutandis if preferred equity investment by a cooperative financial institution disappearing in an absorption-type merger or a cooperative financial institution disappearing in a consolidation-type merger is book-entry transfer preferred equity investment, and a cooperative financial institution surviving an absorption-type merger (meaning a cooperative financial institution surviving an absorption-type merger as prescribed in Article 17, paragraph (1), item (i) of the Act on Merger and Conversion; hereinafter the same applies in this Section) seeks to deliver book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or the cooperative financial institution incorporated in the consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger prescribed in Article 19, paragraph (1), item (ii) of the Act on Merger and Conversion; hereinafter the same applies in this Section) seeks to deliver book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date of merger or date of incorporation	effective date (meaning the effective date prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies hereinafter) or the incorporation date of the cooperative financial institution incorporated in a consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger prescribed in Article 19, paragraph (1), item (ii) of that Act; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total number of	total number of units of
	total issued number	total number of issued units
Article 138, paragraph (1), item (iv)	effective date of merger or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (1), item (vii)	total number	total number of units
Article 138, paragraph (3)	effective date of merger or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (3), item (i)	the number	the number of units
Article 138, paragraph (6)	effective date of merger or date of incorporation	effective date

Article 257 (1) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the shares in a bank disappearing in a consolidation-type merger are not book-entry transfer shares and a bank incorporated in a consolidation-type merger seeks to deliver book-entry transfer shares to the shareholders of the banks dissolved in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "the effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in the consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion)".



(2) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the bank surviving an absorption-type merger seeks to issue book-entry transfer shares to the members, etc. (meaning the members, etc. prescribed in Article 2, paragraph (10) of the Act on Merger and Conversion; hereinafter the same applies in this Section) of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or if the bank incorporated in a consolidation-type merger seeks to deliver book-entry transfer shares to the members, etc. of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of Article 160, paragraph (2) apply mutatis mutandis if the bank surviving an absorption-type merger seeks to transfer book-entry transfer shares to the members, etc. of the cooperative financial institution dissolved in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "the effective date of merger or date of incorporation" in the paragraph (1) of that Article is deemed to be replaced with "the effective date (meaning the effective date prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies in the following paragraph) or the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of that Act)"; the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

(3) The provisions of Article 160, paragraph (1) apply mutatis mutandis if preferred equity investment by a cooperative financial institution disappearing in an absorption-type merger or a cooperative financial institution disappearing in a consolidation-type merger is not book-entry transfer preferred equity investment and the bank surviving the absorption-type merger seeks to deliver book-entry transfer shares to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or a bank incorporated in the consolidation-type merger seeks to deliver book-entry transfer shares to the preferred equity investors of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of paragraph (2) of that Article apply mutatis mutandis if a bank surviving an absorption-type merger seeks to transfer book-entry transfer shares to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is

deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies to the following paragraph) or the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of that Act)"; the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and Cabinet Order provides for any other necessary technical replacement of terms.

- (4) The provisions of Article 160, paragraph (1) apply *mutatis mutandis* if shares in the bank disappearing in an absorption-type merger or in a bank disappearing in a consolidation-type merger are not book-entry transfer shares and the Shinkin Bank surviving the absorption-type merger seeks to deliver book-entry transfer preferred equity investment to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger or the Shinkin Bank incorporated in the consolidation-type merger seeks to deliver book-entry transfer preferred equity investment to the shareholders of the bank established in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of paragraph (2) of that Article apply *mutatis mutandis* if the Shinkin Bank surviving an absorption-type merger seeks to transfer book-entry transfer preferred equity investments to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies to the following paragraph) or the incorporation date of the Shinkin Bank incorporated in the consolidation-type merger (meaning a Shinkin Bank incorporated in a consolidation-type merger as prescribed in Article 15, paragraph (1), item (ii) of that Act)"; the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and Cabinet Order provides for any other necessary technical replacement of terms.
- (5) The provisions of Article 160, paragraph (1) apply *mutatis mutandis* if a cooperative financial institution surviving an absorption-type merger seeks to deliver book-entry transfer preferred equity investment to the members, etc. of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger or if a cooperative financial institution incorporated in a consolidation-type merger seeks to deliver book-entry transfer preferred equity investment to the members, etc. of the cooperative financial institutions disappearing in the consolidation-type

merger at the time of the consolidation-type merger; and the provisions of paragraph (2) of that Article apply mutatis mutandis if a cooperative financial institution surviving an absorption-type merger seeks to transfer book-entry transfer preferred equity investments to the members, etc. of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies to the following paragraph) or the incorporation date of the cooperative financial institution incorporated in the consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger as prescribed in Article 19, paragraph (1), item (ii) of that Act)"; the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and Cabinet Order provides for any other necessary technical replacement of terms.

- (6) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the preferred equity investment by a cooperative financial institution disappearing in an absorption-type merger or the preferred equity investment by a cooperative financial institution disappearing in a consolidation-type merger is not book-entry transfer preferred equity investment, and a cooperative financial institution surviving the absorption-type merger seeks to deliver book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or a cooperative financial institution incorporated in the consolidation-type merger seeks to issue book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of paragraph (2) of that Article apply mutatis mutandis if a cooperative financial institution surviving an absorption-type merger seeks to transfer book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion; the same applies to the following paragraph) or the incorporation date of the cooperative financial institution incorporated in the consolidation-type merger (meaning a

cooperative financial institution incorporated in a consolidation-type merger as prescribed in Article 19, paragraph (1), item (ii) of that Act)"; the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and Cabinet Order provides for any other necessary technical replacement of terms.

(7) The provisions of Article 189, paragraph (1) apply mutatis mutandis if a bank incorporated in a consolidation-type merger seeks to deliver book-entry transfer share options at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion)".

(8) The provisions of Article 223, paragraph (1) apply mutatis mutandis if a bank incorporated in a consolidation-type merger seeks to deliver book-entry transfer bonds with share options at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion)".

Article 258 (1) The provisions of Article 160, paragraph (3) apply mutatis mutandis if shares in a bank disappearing in a consolidation-type merger are book-entry transfer shares and a bank incorporated in a consolidation-type merger seeks to deliver shares that are not book-entry transfer shares to the shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger or a bank incorporated in a consolidation-type merger decides not to allot shares to a certain class of shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the bank incorporated in a consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion)".

(2) The provisions of Article 160, paragraph (3) apply mutatis mutandis if shares in the bank disappearing in an absorption-type merger or in a bank disappearing in a consolidation-type merger are book-entry transfer shares and the Shinkin Bank surviving the absorption-type merger seeks to deliver equity investment, etc. other than book-entry transfer preferred equity investment

(meaning equity investment, etc. as prescribed in Article 11, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion; hereinafter the same applies in this Section) to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger; the Shinkin Bank incorporated in the consolidation-type merger seeks to issue equity investment, etc. other than book-entry transfer preferred equity investment to the shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger; the Shinkin Bank surviving the absorption-type merger decides not to allot equity investment, etc. to a certain class of shareholders in the bank disappearing in the absorption-type merger; or the Shinkin Bank incorporated in the consolidation-type merger decides not to allot equity investment, etc. to a certain class of shareholders in the banks disappearing in the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in Article 160, paragraph (3) is deemed to be replaced with "effective date (meaning the effective date prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion) or the incorporation date of the Shinkin Bank incorporated in the consolidation-type merger (meaning a Shinkin Bank incorporated in a consolidation-type merger as prescribed in Article 15, paragraph (1), item (ii) of that Act)"; and Cabinet Order provides for any other necessary technical replacement of terms.

- (3) The provisions of Article 160, paragraph (3) apply mutatis mutandis if preferred equity investment by a cooperative financial institution disappearing in an absorption-type merger or a cooperative financial institution disappearing in a consolidation-type merger is book-entry transfer preferred equity investment and a bank surviving the absorption-type merger seeks to deliver shares, etc. other than book-entry transfer shares (meaning shares, etc. as prescribed in Article 9, paragraph (1), item (ii) of the Act on Financial Institutions' Merger and Conversion; hereinafter the same applies in this paragraph) to preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; a bank incorporated in a consolidation-type merger seeks to issue shares other than book-entry transfer shares to preferred equity investors in the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; a bank surviving an absorption-type merger decides not to allot shares, etc. to a certain class of preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; or a bank incorporated in the consolidation-type merger decides not to allot shares, etc. to a certain class of preferred equity investors in the cooperative financial institutions disappearing in the consolidation-type merger at the time of the

consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in Article 160, paragraph (3) is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion) or the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of that Act)"; and Cabinet Order provides for any other necessary technical replacement of terms.

(4) The provisions of Article 160, paragraph (3) apply *mutatis mutandis* if preferred equity investment by a cooperative financial institution disappearing in an absorption-type merger or a cooperative financial institution disappearing in a consolidation-type merger is book-entry transfer preferred equity investment and a cooperative financial institution surviving an absorption-type merger seeks to deliver equity investment, etc. other than book-entry transfer preferred equity investment to preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; a cooperative financial institution incorporated in a consolidation-type merger seeks to issue equity investment, etc. other than book-entry transfer preferred equity investment to preferred equity investors in the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; the cooperative financial institution surviving the absorption-type merger decides not to allot equity investment, etc. to a certain class of preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; or a cooperative financial institution incorporated in a consolidation-type merger decides not to allot equity investment, etc. to a certain class of preferred equity investors in the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Financial Institutions' Merger and Conversion) or the incorporation date of the cooperative financial institution incorporated in the consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger as prescribed in Article 19, paragraph (1), item (ii) of that Act)"; and Cabinet Order provides for any other necessary technical replacement of terms.

(5) The provisions of Article 189, paragraph (3) apply *mutatis mutandis* if a bank issuing book-entry transfer share options (meaning a bank as defined in Article

2, paragraph (2) of the Act on Merger and Conversion; the same applies in the following paragraph) seeks to implement an absorption-type merger (but only if the bank will disappear in the absorption-type merger) or a consolidation-type merger. In such a case, the phrase "of the company" in Article 189, paragraph (3) is deemed to be replaced with "of the bank (meaning a bank as defined in Article 2, paragraph (2) of the Act on Financial Institutions' Merger and Conversion) or cooperative financial institution (meaning a cooperative financial institution as prescribed in paragraph (3) of that Article)".

(6) The provisions of Article 223, paragraph (3), apply mutatis mutandis if a bank issuing book-entry transfer bonds with share options seeks to implement an absorption-type merger (but only if the bank will disappear in the absorption-type merger) or a consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the bank (meaning a bank as defined in Article 2, paragraph (2) of the Act on Financial Institutions' Merger and Conversion) or cooperative financial institution (meaning a cooperative financial institution as defined in paragraph (3) of that Article)".

(Special Provisions of the Act on Mergers and Conversions Regarding the Exercise of Appraisal Rights on Shares during a Merger of Financial Institutions)

Article 259 (1) If a bank disappearing in a merger (meaning the bank disappearing in a merger prescribed in Article 21, paragraph (1) of the Act on Merger and Conversion; hereinafter the same applies in this Article through Article 261) or a bank surviving an absorption-type merger is an issuer of book-entry transfer shares, the bank must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer shares subject to the exercise of appraisal rights on shares (meaning the exercise of appraisal rights on shares under the provisions of Article 24, paragraph (1) of the Act on Merger and Conversion (including as applied mutatis mutandis pursuant to Article 31 of the Act on Merger and Conversion); hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Article); provided, however, that this does not apply if the bank disappearing in a merger or bank surviving an absorption-type merger has already requested for a purchase account to be opened or there is no holder of book-entry transfer shares that is entitled to exercise appraisal rights on shares in relation to the merger.

(2) If the bank disappearing in a merger or bank surviving an absorption-type merger referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 261 regarding the information which is required to be

given notice, in lieu of giving the notice pursuant to the provisions of Article 23, paragraph (1) of the Act on Merger and Conversion (including as applied mutatis mutandis pursuant to Article 31 of the Act on Merger and Conversion), the bank must also issue public notice of the purchase account.

- (3) If holders of book-entry transfer shares seek to exercise the appraisal rights on shares for their book-entry transfer shares, they must file an application for a book-entry transfer of the book-entry transfer shares that use the purchase account as the transferee account (meaning the transferee account prescribed in Article 132, paragraph (3), item (iv); the same applies in this Article).
- (4) Until the day on which an absorption-type merger takes effect, the bank surviving an absorption-type merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares in relation to the absorption-type merger), which use the account of the bank surviving an absorption-type merger as the transferee account.
- (5) If the bank disappearing in a merger or bank surviving an absorption-type merger referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on shares by a holder of book-entry transfer shares that has filed an application referred to in paragraph (3), the bank must file an application for a book-entry transfer of the book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares that are withdrawn), which use the account of the shareholder as the transferee account, without delay.
- (6) The bank disappearing in a merger or bank surviving an absorption-type merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account, if the transferee account is other than that of the holder of the book-entry transfer shares, or that of the bank surviving an absorption-type merger, or that of the holder of the book-entry transfer shares, which has filed an application referred to in paragraph (3).
- (7) A participant other than the holder of book-entry transfer shares that files an application referred to in paragraph (3) may not file an application for a book-entry transfer that use the purchase account as the transferee account.
- (8) In applying the provisions of Article 143, Article 151, and Article 154 to a bank disappearing in a merger or bank surviving an absorption-type merger that is an issuer of book-entry transfer shares, the phrase "purchase account prescribed in Article 155, paragraph (1)" in Article 143 is deemed to be replaced with "purchase account prescribed in Article 155, paragraph (1) and the purchase account of Article 259 (meaning the purchase account prescribed in Article 259, paragraph (1); the same applies in Article 151, paragraph (2)



and Article 154, paragraph (3), item (iv))"; the phrase "and a purchase account prescribed in Article 155, paragraph (1)" in Article 151, paragraph (2), item (i) is deemed to be replaced with", purchase account prescribed in Article 155, paragraph (1), and the purchase account of Article 259"; in Article 155, paragraph (2), item (iii), the phrase "purchase account prescribed in Article 155, paragraph (1)" is deemed to be replaced with "purchase account prescribed in Article 155, paragraph (1), or the purchase account of Article 259", the phrase "paragraph (3) of that Article" is deemed to be replaced with "Article 155, paragraph (3) or Article 259, paragraph (3)", and the phrase "the purchase account" is deemed to be replaced with "the purchase account or the purchase account of Article 259"; and in Article 154, paragraph (3), item (iv), the phrase "paragraph (3) of the following Article" is deemed to be replaced with "paragraph (3) of the following Article or Article 259, paragraph (3)", and the phrase "purchase account prescribed in paragraph (1) of that Article" is deemed to be replaced with "purchase account prescribed in paragraph (1) of the following Article or the purchase account of Article 259".

(Special Provisions of the Mergers and Conversions Acts Concerning Exercise of Appraisal Rights on Share Options during a Merger of Financial Institutions)

Article 260 (1) If a bank disappearing in a merger is an issuer of book-entry transfer share options, the bank must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer share options subject to the exercise of appraisal rights on share options (meaning the exercise of appraisal rights on share options pursuant to the provisions of Article 25, paragraph (1) of the Act on Merger and Conversion; hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Article); provided, however, that this does not apply if the bank disappearing in a merger has already requested for a purchase account to be opened or there is no holder of book-entry transfer share options that is entitled to exercise appraisal rights on share options in relation to the merger.

(2) If the bank disappearing in a merger referred to in the preceding paragraph issues public notice pursuant to the provisions of the following Article regarding the relevant information of which is required to be given notice, in lieu of giving the notice pursuant to the provisions of Article 23, paragraph (1) of the Act on Merger and Conversion, the bank must also issue public notice of the purchase account.

(3) If holders of book-entry transfer share options seek to exercise the appraisal rights on share options for their book-entry transfer share options, they must file an application for a book-entry transfer of the book-entry transfer share

options that use the purchase account as the transferee account (meaning the transferee account prescribed in Article 168, paragraph (3), item (iv); the same applies in this Article).

- (4) If the bank disappearing in a merger referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on share options by a holder of book-entry transfer share options that has filed an application referred to in the preceding paragraph, the bank must file an application for a book-entry transfer of the book-entry transfer share options that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on share options that are withdrawn), which use the account of the share option holder as the transferee account, without delay.
- (5) The bank disappearing in a merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer share options that have been entered or recorded in a purchase account if the transferee account is other than that of the holder of the book-entry transfer share options that has filed an application referred to in paragraph (3).
- (6) A participant other than the holder of book-entry transfer share options that files an application referred to in paragraph (3) may not apply for a book-entry transfer that use the purchase account as the transferee account.
- (7) In applying the provisions of Article 177 and Article 186 to a bank disappearing in a merger that is an issuer of book-entry transfer share options, the phrase "purchase account prescribed in Article 183, paragraph (1)" in Article 177 is deemed to be replaced with "purchase account prescribed in Article 183, paragraph (1) and the purchase account of Article 260 (meaning the purchase account prescribed in Article 260, paragraph (1); the same applies in Article 186, paragraph (2))"; the phrase "and a purchase account" in Article 186, paragraph (2), item (i) is deemed to be replaced with ", a purchase account and the Article 260 purchase account"; and in Article 186, paragraph (2), item (iii), the phrase "in a purchase account" is deemed to be replaced with "in a purchase account or the purchase account of Article 260", the phrase "Article 183, paragraph (4)" is deemed to be replaced with "Article 183, paragraph (4) or Article 260, paragraph (3)," and the phrase "the purchase account" is deemed to be replaced with "the purchase account or the purchase account of Article 260".

(Public Notice to Shareholders during a Merger of Financial Institutions)

Article 261 Notwithstanding the provisions of Article 23, paragraph (1) of the Act on Merger and Conversion (including as applied mutatis mutandis pursuant to Article 31 of that Act), in lieu of giving the notice pursuant to the provisions, the bank disappearing in a merger or the bank surviving an absorption-type merger must issue public notice of the information which is

required to be given notice.

(Making Entries or Records for the Conversion of a Financial Institution)

Article 262 (1) The provisions of Article 138, paragraphs (1) through (5) apply mutatis mutandis if preferred equity investment by the cooperative financial institution undergoing a conversion (meaning a conversion as defined in Article 2, paragraph (7) of the Act on Merger and Conversion; hereinafter the same applies in this Article) pursuant to the provisions of Article 4, item (iii) of the Act on Merger and Conversion is book-entry transfer preferred equity investment and the converted bank (meaning a converted bank prescribed in Article 59, paragraph (1), item (i) of the Act on Merger and Conversion Act; the same applies in the following paragraph) seeks to deliver book-entry transfer shares to preferred equity investors in the cooperative financial institution undergoing the conversion at the time of the conversion. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date of merger or date of incorporation	effective date (meaning the effective date prescribed in Article 56, paragraph (1), item (ix) of the Act on Financial Institutions' Merger and Conversion; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total issued number	total number of issued units
Article 138, paragraph (1), item (iv) and paragraph (3)	effective date of merger or date of incorporation	effective date
Article 138, paragraph (3), item (i)	the number of	the number of units of

(2) The provisions of Article 160, paragraph (1) apply mutatis mutandis if there is a plan to deliver book-entry transfer shares pursuant to the provisions of the preceding paragraph and the converted bank seeks to deliver book-entry transfer shares to the members, etc. of the cooperative financial institution undergoing the conversion at the time of conversion. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 56, paragraph (1), item (ix) of the Act on Financial

Institutions' Merger and Conversion)"; and Cabinet Order provides for any other necessary technical replacement of terms.

- (3) The provisions of Article 138, paragraphs (1) through (5) apply mutatis mutandis if the shares in an ordinary commercial bank (meaning an ordinary commercial bank as defined in Article 2, paragraph (1) of the Act on Merger and Conversion; hereinafter the same applies in this Article) undergoing a conversion pursuant to the provisions of Article 4, item (ii) of the Act on Merger and Conversion are book-entry transfer shares and the converted Shinkin Bank (meaning a converted Shinkin Bank prescribed in Article 56, paragraph (1), item (i) of the Act on Merger and Conversion; the same applies in the following paragraph) seeks to deliver book-entry transfer preferred equity investment to the shareholders of the ordinary bank undergoing the conversion at the time of the conversion. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date of merger or date of incorporation	effective date (meaning the effective date prescribed in Article 56, paragraph (1), item (ix) of the Act on Financial Institutions' Merger and Conversion; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total number of	total number of units of
Article 138, paragraph (1), item (iv)	effective date of merger or date of incorporation	effective date
Article 138, paragraph (1), item (vii)	total number	total number of units
Article 138, paragraph (3)	effective date of merger or date of incorporation	effective date
Article 138, paragraph (3), item (i)	of the number	of the number of units

- (4) The provisions of Article 160, paragraph (3) apply mutatis mutandis if there is a plan to deliver book-entry transfer preferred equity investment pursuant to the provisions of the preceding paragraph and the converted Shinkin Bank seeks to deliver equity investment, etc. other than book-entry transfer

preferred equity investment to the shareholders of the ordinary commercial bank undergoing the conversion at the time of the conversion, or the converted Shinkin Bank decides not to allot equity investment, etc. to a certain class of shareholders in the ordinary bank undergoing the conversion at the time of the conversion. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (3) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 56, paragraph (1), item (ix) of the Act on Financial Institutions' Merger and Conversion)"; and Cabinet Order provides for any other necessary technical replacement of terms.

## **Section 2 Book-Entry Transfer for Entity Conversions under the Insurance Business Act**

(Making Entries or Records for a Merger of Insurance Companies)

Article 263 The provisions of Article 138, paragraphs (1) through (5) apply mutatis mutandis if shares in a stock company disappearing in a consolidation-type merger (meaning a stock company disappearing in a consolidation-type merger prescribed in Article 163, paragraph (1), item (i) of that Act; hereinafter the same applies in this Section) are book-entry transfer shares and a stock company incorporated in a consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act; hereinafter the same applies in this Section) seeks to deliver book-entry transfer shares to the shareholders of the stock company disappearing in a consolidation-type merger at the time of the consolidation-type merger (meaning a consolidation-type merger prescribed in Article 161 of that Act; hereinafter the same applies in this Section). In such a case, the phrase "effective date of merger or date of incorporation" in Article 138, paragraphs (1) and (3) is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

Article 264 (1) The provisions of Article 160, paragraph (1) apply mutatis mutandis if shares in a stock company disappearing in a consolidation-type merger are not book-entry transfer shares and a stock company incorporated in a consolidation-type merger seeks to deliver book-entry transfer shares to the shareholders of a stock company disappearing in a consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed

to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

- (2) The provisions of Article 160, paragraph (1) apply mutatis mutandis if a stock company surviving an absorption-type merger (meaning a stock company surviving an absorption-type merger prescribed in Article 164, paragraph (1), item (i) of the Insurance Business Act; hereinafter the same applies in this Section) seeks to deliver book-entry transfer shares to the members of a mutual company disappearing in an absorption-type merger (meaning a mutual company disappearing in an absorption-type merger prescribed in Article 160, item (i) of that Act; hereinafter the same applies in this Section) at the time of the absorption-type merger (meaning an absorption-type merger prescribed in Article 160 of that Act) or the stock company incorporated in the consolidation-type merger seeks to deliver book-entry transfer shares to the members of a mutual company disappearing in a consolidation-type merger (meaning a mutual company disappearing in a consolidation-type merger prescribed in Article 161, item (i) of that Act) at the time of the consolidation-type merger; and the provisions of Article 160, paragraph (2) apply mutatis mutandis if a stock company surviving an absorption-type merger seeks to transfer book-entry transfer shares to the members of the mutual company disappearing in an absorption-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date of the absorption-type merger (meaning an absorption-type merger as prescribed in Article 160 of the Insurance Business Act; the same applies in the following paragraph) or the incorporation date of the stock company incorporated in the consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger prescribed in Article 165, paragraph (1), item (ii) of that Act)" and the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "day on which the absorption-type merger takes effect".
- (3) The provisions of Article 189, paragraph (1) apply mutatis mutandis if a stock company incorporated in a consolidation-type merger seeks to deliver book-entry transfer share options at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".
- (4) The provisions of Article 223, paragraph (1) apply mutatis mutandis if a stock

company incorporated in a consolidation-type merger seeks to deliver book-entry transfer bonds with share options at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

Article 265 (1) The provisions of Article 160, paragraph (3) apply *mutatis mutandis* if shares in a stock company disappearing in a consolidation-type merger are book-entry transfer shares and a stock company incorporated in a consolidation-type merger seeks to deliver shares other than book-entry transfer shares to the shareholders of a stock company disappearing in a consolidation-type merger at the time of the consolidation-type merger or a stock company incorporated in a consolidation-type merger decides not to allot shares to a certain class of shareholders in the stock company disappearing in a consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

(2) The provisions of Article 160, paragraph (3) apply *mutatis mutandis* if shares in the stock company disappearing in an absorption-type merger (meaning a stock company disappearing in an absorption-type merger prescribed in Article 162, item (i) of the Insurance Business Act; hereinafter the same applies in this paragraph) or a stock company disappearing in a consolidation-type merger are book-entry transfer shares and a mutual company surviving an absorption-type merger (meaning a mutual company surviving an absorption-type merger prescribed in Article 160, item (i) of the Insurance Business Act) seeks to compensate the shareholders of the stock company disappearing in the absorption-type merger at the time of the absorption-type merger or a mutual company incorporated in a consolidation-type merger (meaning a mutual company incorporated in a consolidation-type merger prescribed in Article 161, item (ii) of that Act) seeks to compensate the shareholders of a stock company disappearing in a consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "effective date of the absorption-type merger (meaning an absorption-type merger prescribed in Article 160 of the Insurance Business Act) or the incorporation date of the

mutual company incorporated in the consolidation-type merger (meaning a mutual company incorporated in a consolidation-type merger prescribed in Article 161, item (ii) of that Act)".

- (3) The provisions of Article 189, paragraph (3) apply mutatis mutandis if a stock company conducting insurance business and issuing book-entry transfer share options seeks to implement a consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the stock company or mutual company".
- (4) The provisions of Article 223, paragraph (3) apply mutatis mutandis if a stock company conducting insurance business and issuing book-entry transfer bonds with share options seeks to implement a consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the stock company or mutual company".

(Special Provisions of the Insurance Business Act on the Exercise of Appraisal Rights on Shares during a Merger of Insurance Companies)

Article 266 (1) If an extinguished stock company (meaning an extinguished stock company prescribed in Article 165-2, paragraph (1) of the Insurance Business Act; hereinafter the same applies in this Article through Article 268) or a stock company surviving an absorption-type merger is an issuer of book-entry transfer shares, the company must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer shares subject to the exercise of appraisal rights on shares (meaning the exercise of appraisal rights on shares pursuant to the provisions of Article 165-5, paragraph (1) of the Insurance Business Act or Article 797, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 165-12 of the Insurance Business Act; hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Article); provided, however, that this does not apply if the extinguished stock company or stock company surviving an absorption-type merger has already requested for a purchase account to be opened or there is no holder of book-entry transfer shares that is entitled to exercise appraisal rights on shares in relation to the merger.

- (2) If the extinguished stock company or stock company surviving an absorption-type merger referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 268 regarding the relevant information of which is required to be given notice, in lieu of giving the notice pursuant to the provisions of Article 165-4, paragraph (1) of the Insurance Business Act (including as applied mutatis mutandis pursuant to Article 165-12 of that Act), the stock company must also issue public notice of the purchase account.
- (3) If holders of book-entry transfer shares seek to exercise the appraisal rights



on shares for their book-entry transfer shares, they must file an application for a book-entry transfer of the book-entry transfer shares that use the purchase account as the transferee account (meaning the transferee account prescribed in Article 132, paragraph (3), item (iv); the same applies in this Article).

- (4) Until the day on which an absorption-type merger takes effect, the stock company surviving an absorption-type merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares in relation to the absorption-type merger), which use the account of the stock company surviving an absorption-type merger as the transferee account.
- (5) If the extinguished stock company or stock company surviving an absorption-type merger referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on shares by a holder of book-entry transfer shares that has filed an application referred to in paragraph (3), the stock company must file an application for a book-entry transfer of the book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares that are withdrawn), which use the account of the shareholder as the transferee account, without delay.
- (6) The extinguished stock company or stock company surviving an absorption-type merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account if the transferee account is other than that of the holder of the book-entry transfer shares, that of the stock company surviving an absorption-type merger, or that of the holder of the book-entry transfer shares, which has filed an application referred to in paragraph (3).
- (7) A participant other than the holder of book-entry transfer shares that files an application referred to in paragraph (3) may not apply for a book-entry transfer that use the purchase account as the transferee account.
- (8) In applying the provisions of Article 143, Article 151, and Article 154 to an extinguished stock company or stock company surviving an absorption-type merger that is an issuer of book-entry transfer shares, the phrase "purchase account prescribed in Article 155, paragraph (1)" in Article 143 is deemed to be replaced with "purchase account prescribed in Article 155, paragraph (1) and the Article 266 purchase account (meaning the purchase account prescribed in Article 266, paragraph (1); the same applies in Article 151, paragraph (2) and Article 154, paragraph (3), item (iv))"; the phrase "and a purchase account prescribed in Article 155, paragraph (1)" in Article 151, paragraph (2), item (i) is deemed to be replaced with ", a purchase account prescribed in Article 155, paragraph (1), and the Article 36266 purchase account"; in Article 155,

paragraph (2), item (iii), the phrase "purchase account prescribed in Article 155, paragraph (1)" is deemed to be replaced with "purchase account prescribed in Article 155, paragraph (1) or the Article 266 purchase account," the phrase "paragraph (3) of that Article" is deemed to be replaced with "Article 155, paragraph (3) or Article 266, paragraph (3)," and the phrase "the purchase account" is deemed to be replaced with "the purchase account or the purchase account of Article 266"; and in Article 154, paragraph (3), item (iv), the phrase "paragraph (3) of the following Article" is deemed to be replaced with "paragraph (3) of the following Article or Article 266, paragraph (3)," and the phrase "purchase account prescribed in paragraph (1) of that Article" is deemed to be replaced with "purchase account prescribed in paragraph (1) of the following Article or the purchase account of Article 266".

(Special Provisions of the Insurance Business Act on the Exercise of Appraisal Rights on Share Options during a Merger of Insurance Companies)

- Article 267 (1) If an extinguished stock company is an issuer of book-entry transfer share options, it must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer share options subject to the exercise of appraisal rights on share options (meaning the exercise of appraisal rights on share options pursuant to the provisions of Article 165-6, paragraph (1) of the Insurance Business Act; hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Article); provided, however, that this does not apply if the extinguished stock company has already requested for a purchase account to be opened or there is no holder of book-entry transfer share options that is entitled to exercise appraisal rights on share options in relation to the merger.
- (2) If the extinguished stock company referred to in the preceding paragraph issues public notice pursuant to the provisions of the following Article regarding the relevant information which is required to be given notice, in lieu of giving the notice pursuant to the provisions of Article 165-4, paragraph (1) of the Insurance Business Act (including as applied mutatis mutandis pursuant to Article 165-12 of that Act), the stock company must also issue public notice of the purchase account.
- (3) If holders of book-entry transfer share options seek to exercise the appraisal rights on share options for their book-entry transfer share options, they must apply for a book-entry transfer of the book-entry transfer share options that use the purchase account as the transferee account (meaning the transferee account prescribed in Article 168, paragraph (3), item (iv); the same applies in this Article).
- (4) If the extinguished stock company referred to in paragraph (1) approves the

withdrawal of the exercise of appraisal rights on share options by a holder of book-entry transfer share options that has filed an application referred to in the preceding paragraph, the stock company must file an application for a book-entry transfer of the book-entry transfer share options that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on share options that are withdrawn), which use the account of the share option holder as the transferee account, without delay.

- (5) The extinguished stock company referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer share options that have been entered or recorded in a purchase account, if the transferee account is other than that of the holder of the book-entry transfer share options that has filed an application referred to in paragraph (3).
- (6) A participant other than the holder of book-entry transfer share options that files an application referred to in paragraph (3) may not file an application for a book-entry transfer that use the purchase account as the transferee account.
- (7) In applying the provisions of Article 177 and Article 186 to an extinguished stock company that is an issuer of book-entry transfer share options, the phrase "purchase account prescribed in Article 183, paragraph (1)" in Article 177 is deemed to be replaced with "purchase account prescribed in Article 183, paragraph (1) and the purchase account of Article 267 (meaning the purchase account prescribed in Article 267, paragraph (1); the same applies in Article 186, paragraph (2));" the phrase "and a purchase account" in Article 186, paragraph (2), item (i) is deemed to be replaced with ", purchase account and the purchase account of Article 267 "; and in Article 186, paragraph (2), item (iii), the phrase "in a purchase account" is deemed to be replaced with "in a purchase account or the purchase account of Article 267", the phrase "Article 183, paragraph (4)" is deemed to be replaced with "Article 183, paragraph (4) or Article 267, paragraph (3)", and the phrase "the purchase account" is deemed to be replaced with "the purchase account or the purchase account of Article 267".

(Public Notice to Shareholders during a Merger of Insurance Companies)

Article 268 Notwithstanding the provisions of Article 165-4, paragraph (1) of the Insurance Business Act (including as applied mutatis mutandis pursuant to Article 165-12 of that Act), in lieu of giving the notice pursuant to the provisions, the extinguished stock company or the stock company surviving the absorption-type merger must issue public notice of the information which is required to be given notice.

(Making Entries or Records for a Share Exchange or Share Transfer during the Entity Conversion of an Insurance Company)

Article 269 The provisions of Article 160, paragraph (1) apply mutatis mutandis if the wholly owning parent company for share exchange on entity conversion (meaning the wholly owning parent company for share exchange on entity conversion prescribed in Article 96-5, paragraph (2) of the Insurance Business Act; hereinafter the same applies in this Article) seeks to deliver book-entry transfer shares to the members of a mutual company undergoing entity conversion (meaning an entity conversion prescribed in Article 86, paragraph (1) of that Act; hereinafter the same applies in this Article) at the time of the share exchange on entity conversion (meaning a share exchange on entity conversion prescribed in Article 96-5, paragraph (1) of that Act; hereinafter the same applies in this Article) or if the wholly owning parent company for share transfer on entity conversion (meaning the wholly owning parent company for share transfer on entity conversion prescribed in Article 96-9, paragraph (1), item (i) of that Act) seeks to deliver book-entry transfer shares to the members of a mutual company undergoing entity conversion at the time of the share transfer on entity conversion (meaning a share transfer on entity conversion prescribed in Article 96-8, paragraph (1) of that Act); and the provisions of Article 160, paragraph (2) apply mutatis mutandis if the wholly owning parent company for share exchange on entity conversion seeks to transfer book-entry transfer shares to the members of a mutual company undergoing the entity conversion at the time of the share exchange on entity conversion. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date prescribed in Article 86, paragraph (4), item (xii) of the Insurance Business Act; the same applies in the following paragraph) or the incorporation date of the wholly owning parent company for share transfer on entity conversion (meaning the wholly owning parent company for share transfer on entity conversion prescribed in Article 96-8, paragraph (1) of that Act)" and the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "the effective date".

(Special Provisions of the Insurance Business Act on the Share Delivery on Entity Conversion of an Insurance Company)

Article 269-2 The provisions of Article 86-3 apply mutatis mutandis if a converted stock company (meaning a converted stock company prescribed in Article 86, paragraph (4), item (i) of the Insurance Business Act; hereinafter the same applies in this Article) seeks to deliver book-entry transfer corporate bonds at the time of a share delivery on entity conversion (meaning a share delivery on entity conversion prescribed in Article 96-9-2, paragraph (1) of that Act; hereinafter the same applies in this Article); the provisions of Article 160-2 apply mutatis mutandis if a converted stock company seeks to deliver book-

entry transfer shares at the time of a share delivery on entity conversion; the provisions of 189-2 apply mutatis mutandis if a converted stock company seeks to deliver book-entry transfer share options at the time of a share delivery on entity conversion; the provisions of 223-2 apply mutatis mutandis if a converted stock company seeks to deliver book-entry transfer bonds with share options at the time of a share delivery on entity conversion. In such a case, the terms set forth in the middle column of the following table in the provisions set forth in the left-hand column of that table are deemed to be replaced with the terms set forth in the right-hand column of that table, and Cabinet Order provides for any other necessary technical replacement of terms.

Article 86-3, paragraph (1)	Article 774-3, paragraph (1), item (v), sub-item (a) of the Companies Act	Article 96-9-3, paragraph (1), item (v), sub-item (a) of the Insurance Business Act
	parent company resulting from a share delivery (meaning a parent company resulting from a share delivery prescribed in item (i) of that paragraph;	converted stock company (meaning a converted stock company prescribed in Article 86, paragraph (4), item (i) of that Act;
	Article 774-4, paragraph (1)	Article 96-9-4, paragraph (1)
	Article 774-9	Article 96-9-9
Article 86-3, paragraph (2)	Article 774-4, paragraph (2) of the Companies Act	Article 96-9-4, paragraph (2) of the Insurance Business Act
	Article 774-9	Article 96-9-9
	Article 774-3, paragraph (1), item (vi)	Article 96-9-3, paragraph (1), item (vi)
	Article 774-4, paragraph (2) of that Act	Article 96-9-4, paragraph (2) of that Act
Article 774-6	Article 96-9-6	
Article 86-3, paragraph (3)	the date on which the share delivery takes effect	the effective date (meaning the effective date prescribed in Article 86, paragraph (4), item (xii) of the Insurance Business Act; the same applies in Article 160-2, paragraph (4), Article 189-2, paragraph (3), and Article 223-2, paragraph (3))
Article 160-2, paragraph (1)	Article 774-3, paragraph (1), item (iii) of the Companies Act	Article 96-9-3, paragraph (1), item (iii) of the Insurance Business Act
	Article 774-4, paragraph (1)	Article 96-9-4, paragraph (1)
	Article 774-9	Article 96-9-9
Article 160-2, paragraph (2)	Article 774-4, paragraph (2) of the Companies Act	Article 96-9-4, paragraph (2) of the Insurance Business Act
	Article 774-9	Article 96-9-9

	Article 774-3, paragraph (1), item (iv)	Article 96-9-3, paragraph (1), item (iv)
	Article 774-4, paragraph (2) of that Act	Article 96-9-4, paragraph (2) of that Act
	Article 774-6	Article 96-9-6
Article 160-2, paragraph (3)	Article 774-3, paragraph (1), item (v), sub-item (b) of the Companies Act	Article 96-9-3, paragraph (1), item (v), sub-item (b) of the Insurance Business Act
	Article 774-4, paragraph (1)	Article 96-9-4, paragraph (1)
	Article 774-9	Article 96-9-9
Article 160-2, paragraph (4)	the date on which the share delivery takes effect	the effective date
Article 189-2, paragraph (1)	Article 774-3, paragraph (1), item (v), sub-item (b) of the Companies Act	Article 96-9-3, paragraph (1), item (v), sub-item (b) of the Insurance Business Act
	Article 774-4, paragraph (1)	Article 96-9-4, paragraph (1)
	Article 774-9	Article 96-9-9
Article 189-2, paragraph (2)	Article 774-4, paragraph (2) of the Companies Act	Article 96-9-4, paragraph (2) of the Insurance Business Act
	Article 774-9	Article 96-9-9
	Article 774-3, paragraph (1), item (vi)	Article 96-9-3, paragraph (1), item (vi)
	Article 774-4, paragraph (2) of that Act	Article 96-9-4, paragraph (2) of that Act
	Article 774-6	Article 96-9-6
Article 189-2, paragraph (3)	the date on which the share delivery takes effect	the effective date
Article 223-2, paragraph (1)	Article 774-3, paragraph (1), item (v), sub-item (c) of the Companies Act	Article 96-9-3, paragraph (1), item (v), sub-item (c) of the Insurance Business Act
	Article 774-4, paragraph (1)	Article 96-9-4, paragraph (1)
	Article 774-9	Article 96-9-9
Article 223-2, paragraph (2)	Article 774-4, paragraph (2) of the Companies Act	Article 96-9-4, paragraph (2) of the Insurance Business Act
	Article 774-9	Article 96-9-9
	Article 774-3, paragraph (1), item (vi)	Article 96-9-3, paragraph (1), item (vi)
	Article 774-4, paragraph (2) of that Act	Article 96-9-4, paragraph (2) of that Act
	Article 774-6	Article 96-9-6
Article 223-2, paragraph (3)	the date on which the share delivery takes effect	the effective date

**Section 3 Book-Entry Transfer for Mergers under the Financial Instruments and Exchange Act**

(Making Entries or Records for a Merger of Financial Instruments Exchanges)

Article 270 The provisions of Article 138, paragraphs (1) through (5) apply mutatis mutandis if shares in an incorporated financial instruments exchange disappearing in a consolidation-type merger (meaning an incorporated financial instruments exchange disappearing in a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (i) of the Financial Instruments and Exchange Act; hereinafter the same applies in this Section) are book-entry transfer shares and an incorporated financial instruments exchange established by a consolidation-type merger (meaning an incorporated financial instruments exchange established by a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (ii) of that Act; hereinafter the same applies in this Section) seeks to deliver book-entry transfer shares to the shareholders of an incorporated financial instruments exchange disappearing in a consolidation-type merger at the time of the consolidation-type merger (meaning a consolidation-type merger prescribed in Article 136, paragraph (2) of that Act; hereinafter the same applies in this Section). In such a case, the phrase "effective date of merger or date of incorporation" in Article 138, paragraphs (1) and (3) is deemed to be replaced with "incorporation date of the incorporated financial instruments exchange established by a consolidation-type merger (meaning an incorporated financial instruments exchange established by a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

Article 271 (1) The provisions of Article 160, paragraph (1) apply mutatis mutandis if shares in an incorporated financial instruments exchange disappearing in a consolidation-type merger are not book-entry transfer shares and an incorporated financial instruments exchange established by a consolidation-type merger seeks to deliver book-entry transfer shares to the shareholders of an incorporated financial instruments exchange disappearing in a consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the incorporated financial instruments exchange established by a consolidation-type merger (meaning an incorporated financial instruments exchange established by a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

(2) The provisions of Article 160, paragraph (1) apply mutatis mutandis to the case if an incorporated financial instruments exchange surviving an absorption-type merger (meaning an incorporated financial instruments exchange surviving an absorption-type merger prescribed in Article 139, item (i) of the Financial Instruments and Exchange Act; hereinafter the same applies in this Section) seeks to deliver book-entry transfer shares to the

members of a membership-type financial instruments exchange disappearing in the absorption-type merger (meaning a membership-type financial instruments exchange disappearing in a absorption-type merger prescribed in Article 137, item (i) of that Act; hereinafter the same applies in this Section) at the time of the absorption-type merger (meaning an absorption-type merger prescribed in Article 136, paragraph (2) of that Act; hereinafter the same applies in this Section) or if an incorporated financial instruments exchange established by a consolidation-type merger seeks to deliver book-entry transfer shares to the members of a membership-type financial instruments exchanges disappearing in a consolidation-type merger (meaning a membership-type financial instruments exchanges disappearing in a consolidation-type merger prescribed in Article 138, item (i) of that Act) at the time of the consolidation-type merger; and the provisions of Article 160, paragraph (2) apply mutatis mutandis if an incorporated financial instruments exchange surviving an absorption-type merger seeks to transfer book-entry transfer shares to the members of a membership-type financial instruments exchange disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date prescribed in Article 137, item (ii) of the Financial Instruments and Exchange Act; the same applies in the following paragraph) or the incorporation date of the incorporated financial instruments exchange established by a consolidation-type merger (meaning an incorporated financial instruments exchange established by a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (ii) of that Act)" and the phrase "effective date of merger or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date".

- (3) The provisions of Article 189, paragraph (1) apply mutatis mutandis if an incorporated financial instruments exchange established by a consolidation-type merger seeks to deliver book-entry transfer share options at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the incorporated financial instruments exchange established by a consolidation-type merger (meaning an incorporated financial instruments exchange established by a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".
- (4) The provisions of Article 223, paragraph (1) apply mutatis mutandis if an incorporated financial instruments exchange established by a consolidation-type merger seeks to deliver book-entry transfer bonds with share options at the time of the consolidation-type merger. In such a case, the phrase "effective



date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the incorporated financial instruments exchange established by a consolidation-type merger (meaning an incorporated financial instruments exchange established by a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

- Article 272 (1) The provisions of Article 160, paragraph (3) apply mutatis mutandis if shares in an incorporated financial instruments exchanges disappearing in a consolidation-type merger are book-entry transfer shares and an incorporated financial instruments exchange established by a consolidation-type merger seeks to deliver shares that are not book-entry transfer shares to the shareholders of an incorporated financial instruments exchanges disappearing in a consolidation-type merger at the time of the consolidation-type merger, or an incorporated financial instruments exchange established by a consolidation-type merger decides not to allot shares to a certain class of shareholders in the incorporated financial instruments exchange disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date of merger or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the incorporated financial instruments exchange established by a consolidation-type merger (meaning an incorporated financial instruments exchange established by a consolidation-type merger prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".
- (2) The provisions of Article 189, paragraph (3) apply mutatis mutandis if an incorporated financial instruments exchange (meaning an incorporated financial instruments exchange as defined in Article 2, paragraph (18) of the Financial Instruments and Exchange Act; the same applies in the following paragraph) that issues book-entry transfer share options seeks to implement a consolidation-type merger. In such a case, the phrase "of the company" in Article 189, paragraph (3) is deemed to be replaced with "of the incorporated financial instruments exchange (meaning an incorporated financial instruments exchange as defined in Article 2, paragraph (18) of the Financial Instruments and Exchange Act)".
- (3) The provisions of Article 223, paragraph (3) apply mutatis mutandis if an incorporated financial instruments exchange that issues book-entry transfer bonds with share options seeks to implement a consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the incorporated financial instruments exchange (meaning an incorporated financial instruments exchange as defined in Article 2, paragraph (18) of the Financial Instruments and Exchange Act)".

(Special Provisions of the Financial Instruments and Exchange Act on Exercise of Appraisal Rights on Shares during a Merger of Financial Instruments Exchanges)

- Article 273 (1) If an incorporated financial instruments exchange surviving an absorption-type merger or an incorporated financial instruments exchange disappearing in a consolidation-type merger is an issuer of book-entry transfer shares, it must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer shares subject to the exercise of appraisal rights on shares (meaning the exercise of appraisal rights on shares pursuant to the provisions of Article 139-11, paragraph (1) or Article 139-17, paragraph (1) of the Financial Instruments and Exchange Act; hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Article); provided, however, that this does not apply if the incorporated financial instruments exchange surviving an absorption-type merger or incorporated financial instruments exchange disappearing in a consolidation-type merger has already requested for a purchase account to be opened or there is no holder of book-entry transfer shares that is entitled to exercise appraisal rights on shares in relation to the merger.
- (2) If the incorporated financial instruments exchange surviving an absorption-type merger or incorporated financial instruments exchange disappearing in a consolidation-type merger referred to in the preceding paragraph issues public notice pursuant to the provisions of Article 275 regarding the information which is required to be given notice, in lieu of giving the notice pursuant to the provisions of Article 139-10, paragraph (1) or Article 139-16, paragraph (1) of the Financial Instruments and Exchange Act, the financial instruments exchange must also issue public notice of the purchase account.
- (3) If holders of book-entry transfer shares seek to exercise the appraisal rights on shares for their book-entry transfer shares, they must file an application for a book-entry transfer of the book-entry transfer shares that use the purchase account as the transferee account (meaning the transferee account prescribed in Article 132, paragraph (3), item (iv); the same applies in this Article).
- (4) Until the day on which an absorption-type merger takes effect, the incorporated financial instruments exchange surviving an absorption-type merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares in relation to the absorption-type merger), which use the account of the incorporated financial instruments exchange surviving an absorption-type merger as the transferee account.

- (5) If the incorporated financial instruments exchange surviving an absorption-type merger or incorporated financial instruments exchange disappearing in a consolidation-type merger referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on shares by a holder of book-entry transfer shares that has filed an application referred to in paragraph (3), the financial instruments exchange must file an application for a book-entry transfer of the book-entry transfer shares that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on shares that are withdrawn), which use the account of the shareholder as the transferee account, without delay.
- (6) The incorporated financial instruments exchange surviving an absorption-type merger or incorporated financial instruments exchange disappearing in a consolidation-type merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer shares that have been entered or recorded in a purchase account if the transferee account is other than that of the incorporated financial instruments exchange surviving an absorption-type merger, that of the holder of the book-entry transfer shares that has filed an application referred to in paragraph (3), or that of the holder of the book-entry transfer shares that has filed an application referred to in that paragraph.
- (7) A participant other than the holder of book-entry transfer shares that files an application referred to in paragraph (3) may not file an application for a book-entry transfer that use the purchase account as the transferee account.
- (8) In applying the provisions of Article 143, Article 151, and Article 154 to an incorporated financial instruments exchange surviving an absorption-type merger or incorporated financial instruments exchange disappearing in a consolidation-type merger that is an issuer of book-entry transfer shares, the phrase "purchase account prescribed in Article 155, paragraph (1)" in Article 143 is deemed to be replaced with "purchase account prescribed in Article 155, paragraph (1) and the purchase account of Article 273 (meaning the purchase account prescribed in Article 273, paragraph (1); the same applies in Article 151, paragraph (2) and Article 154, paragraph (3), item (iv))"; the phrase "and a purchase account prescribed in Article 155, paragraph (1)" in Article 151, paragraph (2), item (i) is deemed to be replaced with ", purchase account prescribed in Article 155, paragraph (1), and the purchase account of Article 273"; in Article 155, paragraph (2), item (iii), the phrase "purchase account prescribed in Article 155, paragraph (1)" is deemed to be replaced with "purchase account prescribed in Article 155, paragraph (1) or the purchase account of Article 273", the phrase "paragraph (3) of that Article" is deemed to be replaced with "Article 155, paragraph (3) or Article 273, paragraph (3)", and the phrase "the purchase account" is deemed to be replaced with "the purchase

account or the purchase account of Article 273"; in Article 154, paragraph (3), item (iv), the phrase "paragraph (3) of the following Article" is deemed to be replaced with "paragraph (3) of the following Article or Article 273, paragraph (3)" and the phrase "purchase account prescribed in paragraph (1) of that Article" is deemed to be replaced with "purchase account prescribed in paragraph (1) of the following Article or the purchase account of Article 273".

(Special Provisions of the Financial Instruments and Exchange Act on Exercise of Appraisal Rights on Share Options during a Merger of Financial Instruments Exchanges)

Article 274 (1) If an incorporated financial instruments exchange disappearing in a consolidation-type merger is an issuer of book-entry transfer share options, it must request a book-entry transfer institution or account management institution to open an account in which book entries are to be made for the book-entry transfer share options subject to the exercise of appraisal rights on share options (meaning the exercise of appraisal rights on share options pursuant to the provisions of Article 139-18, paragraph (1) of the Financial Instruments and Exchange Act; hereinafter the same applies in this Article) (hereinafter the account is referred to as a "purchase account" in this Article); provided, however, that this does not apply if the incorporated financial instruments exchange disappearing in a consolidation-type merger has already requested for a purchase account to be opened or there is no holder of book-entry transfer share options that is entitled to exercise appraisal rights on share options in relation to the merger.

(2) If the incorporated financial instruments exchange disappearing in a consolidation-type merger referred to in the preceding paragraph issues public notice pursuant to the provisions of the following Article regarding the information which is required to be given notice, in lieu of giving the notice pursuant to the provisions of Article 139-16, paragraph (1) of the Financial Instruments and Exchange Act, the financial instruments exchange must also issue public notice of the purchase account.

(3) If holders of book-entry transfer share options seek to exercise the appraisal rights on share options for their book-entry transfer share options, they must file an application for a book-entry transfer of the book-entry transfer share options that use the purchase account as the transferee account (meaning a transferee account prescribed in Article 168, paragraph (3), item (iv); the same applies in this Article).

(4) If the incorporated financial instruments exchange disappearing in a consolidation-type merger referred to in paragraph (1) approves the withdrawal of the exercise of appraisal rights on share options by a holder of book-entry transfer share options that has filed an application referred to in

the preceding paragraph, the financial instruments exchange must apply for a book-entry transfer of the book-entry transfer share options that have been entered or recorded in a purchase account (limited to those subject to the exercise of appraisal rights on share options that are withdrawn), which use the account of the share option holder as the transferee account, without delay.

- (5) The incorporated financial instruments exchange disappearing in a consolidation-type merger referred to in paragraph (1) may not file an application for a book-entry transfer involving book-entry transfer share options that have been entered or recorded in a purchase account, if the transferee account is other than that of the holder of the book-entry transfer share options that has filed an application referred to in paragraph (3).
- (6) A participant other than the holder of book-entry transfer share options that files an application referred to in paragraph (3) may not file an application for a book-entry transfer with the purchase account as the transferee account.
- (7) In applying the provisions of Article 177 and Article 186 to an incorporated financial instruments exchange disappearing in a consolidation-type merger that is an issuer of book-entry transfer share options, the phrase "purchase account prescribed in Article 183, paragraph (1)" in Article 177 is deemed to be replaced with "purchase account prescribed in Article 183, paragraph (1) and the purchase account of Article 274 (meaning the purchase account prescribed in Article 274, paragraph (1); the same applies in Article 186, paragraph (2))"; the phrase "and a purchase account" in Article 186, paragraph (2), item (i) is deemed to be replaced with ", a purchase account and the purchase account of Article 274"; in Article 186, paragraph (2), item (iii), the phrase "in a purchase account" is deemed to be replaced with "in a purchase account or the purchase account of Article 274", the phrase "Article 183, paragraph (4)" is deemed to be replaced with "Article 183, paragraph (4) or Article 274, paragraph (3)", and the phrase "the purchase account" is deemed to be replaced with "the purchase account or the purchase account of Article 274".

(Public Notice to Shareholders during a Merger of Financial Instruments Exchanges)

Article 275 Notwithstanding the provisions of Article 139-10, paragraph (1) or Article 139-16, paragraph (1) of the Financial Instruments and Exchange Act, in lieu of giving the notice pursuant to the provisions, an incorporated financial instruments exchange surviving an absorption-type merger or an incorporated financial instruments exchange disappearing in a consolidation-type merger must issue public notice of the information which are required to be given notice.

**Chapter XII Book-Entry Transfer of Other Rights Required to Be Indicated**

## **on Securities**

Article 276 The provisions prescribed in the following items apply mutatis mutandis to the the book-entry transfer of the securities or rights set forth in Article 2, paragraph (1), item (xxi), which are set forth in the following items. In such a case, Cabinet Order provides for the necessary technical replacement of terms:

- (i) securities or rights that Cabinet Order prescribes as being equivalent to those set forth in Article 2, paragraph (1), item (i): the provisions of Chapter IV;
- (ii) securities or rights that Cabinet Order prescribes as being equivalent to that set forth in Article 2, paragraph (1), item (xii): the provisions of Chapter VII;
- (iii) securities or rights that Cabinet Order prescribes as being equivalent to that set forth in Article 2, paragraph (1), item (xiii): the provisions of Chapter VIII;
- (iv) securities or rights that Cabinet Order prescribes as being equivalent to that set forth in Article 2, paragraph (1), item (xiv): the provisions of Chapter IX.

### **Chapter XIII Miscellaneous Provisions**

(Demands by Participants for Information Entered or Recorded in the Book-Entry Transfer Account Register)

Article 277 A participant may demand that its immediately superior institution deliver a document certifying the information entered or recorded in the participant's account in the book-entry transfer account register kept by that immediately superior institution to them or provide them with the information by an electronic or magnetic means specified by order of the competent ministry, by paying the cost specified by the immediately superior institution. The same applies to a person that Cabinet Order prescribes as a person having an interest in the account, if they have a legitimate reason for doing so.

(Deposit of Book-Entry Transfer Bonds)

Article 278 (1) A person seeking to deposit securities or rights set forth in Article 2, paragraph (1), items (i) through (x), and item (xi) which are handled by a book-entry transfer institution (hereinafter referred to as "book-entry transfer bonds" in this Article) pursuant to the provisions of laws and regulations as collateral or as a guarantee or pursuant to the provisions of the Public Offices Election Act (Act No. 100 of 1950) must submit a deposit statement to a deposit office (meaning a deposit office prescribed in Article 1 of

the Deposit Act (Act No. 15 of 1899); hereinafter the same applies in this Article) and file an application for a book-entry transfer referred to in Article 70, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, and Article 127) or Article 95, paragraph (1) in order for an entry or record of the the amount or number of book-entry transfer bonds to be made in the holdings column referred to in Article 69, paragraph (2), item (i), sub-item (a) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124 and Article 127) or Article 92, paragraph (2), item (i) of the account at the deposit office of the book-entry transfer account register.

(2) If principal is redeemed or interest or a dividend is paid to a deposit office for the deposited book-entry transfer bond, the redemption money, interest, or dividend is to be retained by the deposit office as a substitute or supplement to the book-entry transfer bond. In such a case, if the book-entry transfer bond has been deposited in lieu of a security deposit, the depositor may ask to have the interest or dividend to be paid out.

(3) If a corporate bond certificate or other certificate is issued to a deposit office for a book-entry transfer bond deposited with the deposit office pursuant to the provisions of Article 67, paragraph (2) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, and Article 127) or if a Japanese government bond certificate is issued pursuant to the provisions of Article 89, paragraph (2), the deposit office must retain the corporate bond certificate or other certificate, or the Japanese government bond certificate as a substitute for the book-entry transfer bond.

(4) The provisions of Articles 1-2 through 1-9 and Article 8 of the Deposit Act apply mutatis mutandis to cases referred to in the preceding three paragraphs and the provisions of Article 3 of that Act apply mutatis mutandis pursuant to the case referred to in the first sentence of paragraph (2). In such a case, the phrase "in accordance with the provisions of Article 496 of the Civil Code and the deposit has been made erroneously" in Article 8, paragraph (2) of that Act is deemed to be replaced with "the deposit has been made erroneously".

(5) Beyond what is provided for in the preceding paragraphs, order of the competent ministry provides for the particulars concerning the deposit of book-entry transfer bonds.

(Compensation for Losses of Book-Entry Transfer Corporate Bonds and Other Securities Constituting Trust Property)

Article 279 The provisions of Article 24, paragraph (1), item (iv) of the Trust Business Act do not apply to bonds or other securities that a trust company or

financial institution engaged in trust business holds as trust property and that a book-entry transfer institution handles (hereinafter referred to as "book-entry transfer corporate bonds or other securities" in this Article and the following Article), if the account of that company or institution which is associated with the book-entry transfer corporate bonds or other securities has been opened by a book-entry transfer institution or account management institution that assumes the duty of payment (meaning the duty referred to in Article 80, paragraph (2) or Article 81, paragraph (2) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 105, paragraph (2); Article 106, paragraph (2); Article 109, paragraph (3) or Article 110, paragraph (3); Article 127-23, paragraph (2) or Article 127-24, paragraph (2); Article 147, paragraph (2) or Article 148, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 181, paragraph (2) or Article 182, paragraph (2) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); or Article 212, paragraph (2) or Article 213, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); hereinafter the same applies in this Article) or by the subordinate institution of that book-entry transfer institution or account management institution, and compensation is to be paid for losses that the trust property incurs due to the non-performance of the duty of payment by the book-entry transfer institution or account management institution, or its subordinate institution.

(Delegation to Rules of the Supreme Court)

Article 280 The Rules of the Supreme Court provide for the necessary particulars for judicial enforcement, execution of provisional seizure and provisional disposition, auctions, and direct freezing in anticipation of confiscation regarding book-entry transfer corporate bonds or other securities.

(Consultation with the Minister of Finance)

Article 281 The competent minister must consult with the Minister of Finance regarding the necessary measures for ensuring the smooth distribution of securities in advance, if it is found that the revocation of a book-entry transfer institution's designation under Article 3, paragraph (1) pursuant to the provisions of Article 22, paragraph (1) is likely to have a significant impact on the distribution of securities.



(Notice to the Minister of Finance)

Article 282 (1) When the competent minister has made the following dispositions, the minister is to promptly notify the Minister of Finance of that fact:

- (i) the designation under the provisions of Article 3, paragraph (1) (including cases in which a person is deemed to have been designated pursuant to the provisions of Article 25, paragraph (5), Article 27, paragraph (5), Article 29, paragraph (5), or Article 31, paragraph (5)); and
- (ii) the revocation of the designation under Article 3, paragraph (1) pursuant to the provisions of Article 22, paragraph (1).

(2) Upon receipt of a notice pursuant to Article 41, paragraph (2), the competent minister is to promptly notify the Minister of Finance of that fact.

(Submission of Materials to the Minister of Finance)

Article 283 The Minister of Finance may ask the Prime Minister to submit necessary materials and provide explanations upon finding it to be particularly necessary for planning or designing a system for the book-entry transfer of bonds or other securities related to the financial failure resolution system and financial crisis management under the jurisdiction of the Minister of Finance.

(Delegation to Order of the Competent Ministry)

Article 284 Beyond what is provided for in this Act, order of the competent ministry prescribes the necessary particulars for implementing this Act.

(Competent Minister and Orders of the Competent Ministry)

Article 285 (1) The Prime Minister and Minister of Justice are the competent ministers referred to in Article 2, paragraph (2), Article 3, Article 4, paragraph (1), Article 6, Article 9, Article 10, paragraph (1), Article 16, paragraph (1), Article 17 (excluding particulars concerning the participant protection trust), Article 18, Article 19, Article 20, paragraph (1), Articles 21 through 23, Article 25, paragraphs (1), (2), and (4), Article 27, paragraphs (1), (2), and (4), Article 29, paragraphs (1), (2), and (4), Article 31, paragraphs (1), (2), and (4), Article 40, Article 41, paragraphs (2) and (3), Article 43, Article 281, and Article 282; provided, however, that the Prime Minister, the Minister of Justice, and the Minister of Finance are the competent ministers regarding particulars related to a book-entry transfer institution that handles Japanese government bonds.

(2) The Prime Minister, the Minister of Justice, and the Minister of Finance are the competent ministers referred to in Article 17 (limited to particulars related to participant protection trusts), Article 44, paragraph (1), item (xiii), Article 47, paragraphs (1) and (2), Article 4, paragraph (1) as applied mutatis mutandis pursuant to Article 47, paragraph (3), Article 49, Article 31, paragraphs (1), (2), and (4) as applied mutatis mutandis pursuant to Article 50,

Article 55, paragraph (2), Article 57, Article 58, Article 59, paragraph (4), and Article 63, paragraph (2).

- (3) Cabinet Office Order and Ministry of Justice Order are the orders of the competent ministry referred to in Article 4, paragraph (2), item (vii) and paragraph (3), Article 6, Article 9, Article 10, paragraph (1), Article 11, paragraph (1), item (vii) and paragraph (2), Article 15, Article 16, paragraph (2), Article 18, paragraph (1), Article 19, Article 25, paragraph (3), Article 27, paragraph (3), Article 29, paragraph (3), Article 31, paragraph (3), Article 34, paragraph (3), Article 36, paragraph (2), Article 302, paragraphs (3) and (4) and Article 312, paragraphs (1) and (5) of the Companies Act as applied *mutatis mutandis* pursuant to Article 36, paragraph (4), Article 310, paragraph (3), Article 314, and Article 731, paragraph (1) of the Companies Act as applied *mutatis mutandis* pursuant to Article 39, and Article 41, paragraph (2); provided, however, that Cabinet Office Order, Ministry of Justice Order, and Ministry of Finance Order are the orders of the competent ministry regarding particulars related to a book-entry transfer institution that handles Japanese government bonds.
- (4) Cabinet Office Order, Ministry of Justice Order, and Ministry of Finance Order are the orders of the competent ministry referred to in Article 44, Article 4, paragraph (2), item (vii) as applied *mutatis mutandis* pursuant to Article 47, paragraph (3); Article 31, paragraph (3) as applied *mutatis mutandis* pursuant to Article 50; Article 56, item (viii); Article 57; Article 58; Article 60, paragraph (1); Article 62, paragraph (1); Article 63, paragraph (1); Article 91, paragraph (6); and Article 92, paragraph (1), item (v).
- (5) Cabinet Office Order and Ministry of Justice Order are orders of the competent ministry referred to in Article 68, paragraph (6) and Article 69, paragraph (1), item (vii) (including as applied *mutatis mutandis* pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 69-2, paragraph (1) (including as applied *mutatis mutandis* pursuant to Article 121 and Article 276, item (i)); Article 70-2, paragraph (2) (including as applied *mutatis mutandis* pursuant to Article 121 and Article 276, item (i)); Article 121-3, paragraph (1), item (v); Article 127-4, paragraph (6); Article 127-5, paragraph (1), item (viii); Article 127-6, paragraph (1); Article 127-8, paragraph (2); Article 127-13, paragraph (1), item (vii); Article 127-14, paragraph (1), item (vii); Article 127-27, paragraph (3); Article 129, paragraph (6) (including as applied *mutatis mutandis* pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 130, paragraph (1), item (ix) (including as applied *mutatis mutandis* pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 131, paragraph

(1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 133, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 138, paragraph (1), item (vii) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270, and Article 276, item (ii)); Article 151, paragraph (1) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 151, paragraph (2), item (i) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 151, paragraph (3) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 151, paragraph (7) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 152, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 154, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 159, paragraph (2) (including as applied mutatis mutandis pursuant to Article 235, paragraph (1) and Article 276, item (ii)); Article 165, paragraph (6) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 166, paragraph (1), item (ix) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 167, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)); Article 169, paragraph (2) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)); Article 186, paragraph (1) (including as applied mutatis mutandis pursuant to Article 186, paragraph (5) (including as applied

mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)), Article 247-3, paragraph (1) and Article 276, item (iii)); Article 194, paragraph (6) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 195, paragraph (1), item (ix) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 196, paragraph (1) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 198, paragraph (2) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 202, paragraph (3), item (iii) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (3), item (iv) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 218, paragraph (1) (including as applied mutatis mutandis pursuant to Article 218, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)); Article 159, paragraph (2) as applied mutatis mutandis pursuant to Article 228 following the deemed replacement of terms; and Article 159, paragraph (2) and Article 277 as applied mutatis mutandis pursuant to Article 239 following the deemed replacement of terms.

(6) Ministry of Justice Order is the order of the competent ministry referred to in Article 278, paragraphs (1) and (5).

(7) Cabinet Office Order and Ministry of Justice Order are the orders of the competent ministry referred to in the preceding Article; provided, however, that Cabinet Office Order, Ministry of Justice Order, and Ministry of Finance Order are the orders of the competent ministry regarding the particulars related to the book-entry transfer institution handling Japanese government bonds, the particulars related to Japanese government bonds, and the particulars related to participant protection trusts.

(Delegation of Authority)

Article 286 (1) The Prime Minister delegates the authority under the provisions of 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 the authority under the provisions of Article 20, paragraph (1) (including as applied mutatis mutandis pursuant to Article 43, paragraph (3) and as applied pursuant to Article 48 following the deemed replacement of terms) with which the Commissioner has been delegated pursuant to the preceding paragraph to the Securities and Exchange Surveillance Commission (hereinafter referred to as "the Commission").

(3) When the Commission has exercised the authority with which it has been

delegated pursuant to the provisions of the preceding paragraph, it must promptly report the results to the Commissioner of the Financial Services Agency.

(Request for Administrative Review of the Commission's Order)

Article 287 A request for administrative review with regard to an order to give a report or submit materials that the Commission issues pursuant to paragraph (2) of the preceding Article may only be filed against the Commission.

#### **Chapter XIV Penal Provisions**

Article 288 (1) A person that has acceded to an unlawful request and has accepted an economic benefit to make a statement or exercise a voting right at a participant meeting, or a person that has solicited or promised to accept the benefit, is subject to imprisonment for not more than five years, a fine of not more than 5,000,000 yen, or both.

(2) The provisions of the preceding paragraph also apply to a person that has provided, offered, or agreed to accept the benefit referred to in the preceding paragraph.

(3) In the case referred to in paragraph (1), any benefit that the perpetrator has accepted is confiscated. If all or part of the benefit cannot be confiscated, an equivalent value is collected.

Article 289 A person falling under one of the following items is subject to imprisonment for not more than three years, a fine of not more than 3,000,000 yen, or both:

(i) a person that does not make an entry or record of the information that is required to be entered or recorded in a book-entry transfer account register, in violation of the provisions of Article 92, paragraph (2) as applied pursuant to Article 48 following the deemed replacement of terms (including as applied mutatis mutandis pursuant to Article 92, paragraph (3)) or Article 93, paragraph (1), Article 94, paragraph (1), 95 or Article 96, paragraph (1);

(ii) a person that does not make an entry or record of the information that is required to be entered or recorded in a book-entry transfer account register, in violation of the provisions of Article 69, paragraph (2) (including as applied mutatis mutandis pursuant to Article 69, paragraph (3) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i))); Article 70, paragraph (1), Article 71, paragraph (1), Article 72, Article 78, paragraph (5), Article 79, paragraph (5) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117,

- Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 121-2, paragraph (4) or (5); Article 121-3, paragraph (4) or (5); Article 121-4, paragraph (3) (including as applied mutatis mutandis pursuant to Article 121-4, paragraph (4)); Article 122-2, paragraph (4) or (5), or Article 124-2, paragraph (4) or (5);
- (iii) a person that does not make an entry or record of the information that is required to be entered or recorded in a book-entry transfer account register, in violation of the provisions of Article 92, paragraph (2) (including as applied mutatis mutandis pursuant to paragraph (3) of that Article), Article 93, paragraph (1), Article 94, paragraph (1), Article 95, paragraph (1), Article 96, paragraph (1), Article 97, Article 103, paragraph (5), Article 104, paragraph (5), Article 107, paragraph (6), or Article 108, paragraph (5);
- (iii)-2 a person that does not make an entry or record of the information that is required to be entered or recorded in a book-entry transfer account register, in violation of the provisions of Article 127-5, paragraph (2) (including as applied mutatis mutandis pursuant to paragraph (3) of that Article); Article 127-7, paragraph (1); Article 127-9, paragraph (1); Article 127-10, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article); Article 127-11, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article) and paragraph (5); Article 127-12, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article) and paragraph (5); Article 127-13, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article) and paragraph (5); Article 127-14, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article) and paragraph (5); Article 127-15; Article 127-21, paragraph (5); or Article 127-22, paragraph (5);
- (iv) a person that does not make an entry or record of the information that is required to be entered or recorded in a book-entry transfer account register, in violation of the provisions of Article 130, paragraph (2) (including as applied mutatis mutandis pursuant to Article 130, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 132, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 134, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 135, paragraph (3) (including as applied mutatis mutandis pursuant to Article 135, paragraph (4) (including as applied mutatis

mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii)); Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 136, paragraph (3) (including as applied mutatis mutandis pursuant to Article 136, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 136, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 137, paragraph (3) (including as applied mutatis mutandis pursuant to Article 137, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 137, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 138, paragraph (3) (including as applied mutatis mutandis pursuant to Article 138, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270, and Article 276, item (ii)); Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)); Article 138, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)); Article 139 (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 145, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 146, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 230, paragraph (2); Article 240, paragraph (2); Article 241, paragraph (3) (including as applied mutatis mutandis pursuant to Article 241, paragraph (4)); Article 242, paragraph (3) (including as applied mutatis mutandis pursuant to Article 242, paragraph (4)), or Article 242, paragraph (5);

(v) a person that does not make an entry or record of the information that is required to be entered or recorded in a book-entry transfer account register, in violation of the provisions of Article 166, paragraph (2) (including as applied mutatis mutandis pursuant to Article 166, paragraph (3) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article

249, paragraph (1), and Article 276, item (iii)), Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 168, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 170, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); Article 171, paragraph (3) (including as applied mutatis mutandis pursuant to Article 171, paragraph (4) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)), Article 247-3, paragraph (1) and Article 276, item (iii)); Article 172 (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); Article 173 (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 179, paragraph (5) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); or Article 180, paragraph (5) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii));

(vi) a person that does not make an entry or record for information that is required to be entered or recorded in a book-entry transfer account register, in violation of the provisions of Article 195, paragraph (2) (including as applied mutatis mutandis pursuant to Article 195, paragraph (3) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)), Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 197, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 199, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); Article 200, paragraph (3) (including as applied mutatis mutandis pursuant to Article 200, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)); Article 201 (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 202, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 204 (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 210, paragraph (6) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article



- 276, item (iv)); or Article 211, paragraph (5) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); or
- (vii) a person that makes a false entry or record in a book-entry transfer account register.

Article 290 A person falling under one of the following items is subject to imprisonment for not more than two years, a fine of not more than 3,000,000 yen, or both:

- (i) a person that violates a business suspension order under the provisions of Article 22, paragraph (1) (including as applied pursuant to Article 48 following the deemed replacement of terms);
- (ii) a person that fails to give a notice or make a report, or a person that gives a false notice or makes a false report, in violation of the provisions of Article 151, paragraph (1) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 151, paragraph (6) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) and Article 154, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 154, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii) and as applied pursuant to Article 259, paragraph (8), Article 266, paragraph (8), and Article 273, paragraph (8) following the deemed replacement of terms); Article 186, paragraph (1) (including as applied mutatis mutandis pursuant to Article 186, paragraph (5) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)), Article 247-3, paragraph (1) and Article 276, item (iii)); Article 186, paragraph (4) (including as applied mutatis mutandis pursuant to Article 186, paragraph (5) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)), Article 247-3, paragraph (1) and Article 276, item (iii)); or Article 218, paragraph (1) or (4) (including as applied mutatis mutandis pursuant to Article 218, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)).

Article 291 A person falling under one of the following items is subject to imprisonment for not more than one year, a fine of not more than 3,000,000 yen, or both:

- (i) a person that makes a false entry in the written application referred to in Article 4, paragraph (1) (including as applied *mutatis mutandis* pursuant to Article 47, paragraph (3)), Article 25, paragraph (2), Article 27, paragraph (2), Article 29, paragraph (2), or Article 31, paragraph (2) or the document referred to in Article 4, paragraph (2) (including as applied *mutatis mutandis* pursuant to Article 47, paragraph (3)), that makes a false record in the electronic or magnetic record that is required to be attached in lieu of that document, or makes a false entry or record in the document or electronic or magnetic record referred to in Article 25, paragraph (3), Article 27, paragraph (3), Article 29, paragraph (3), or Article 31, paragraph (3) and submits it;
- (ii) a person that fails to prepare or preserve the record under the provisions of Article 15, or prepares a false record;
- (iii) a person that fails to submit a written report under the provisions of Article 16, paragraph (1) (including as applied pursuant to Article 48 following the deemed replacement of terms), or submits a false report;
- (iv) a person that fails to make a report or submit materials pursuant to the provisions of Article 20, paragraph (1) (including as applied pursuant to Article 48 following the deemed replacement of terms, makes a false report or submits false materials, refuses, hinders, or evades an inspection, or fails to answer questions or gives a false answer; or
- (v) a person that fails to make a report or submit materials pursuant to the provisions of Article 20, paragraph (1) as applied *mutatis mutandis* pursuant to Article 43, paragraph (3), makes a false report or submits false materials, refuses, hinders, or evades an inspection, or fails to answer questions or gives a false answer.

Article 292 A person that violates the provisions of Article 7 is subject to imprisonment for not more than one year or a fine of not more than 500,000 yen.

Article 293 A person falling under one of the following items is subject to a fine of not more than 300,000 yen:

- (i) a person that decreases the amount of stated capital without obtaining the authorization under the provisions of Article 6, paragraph (1), or obtains the authorization referred to in that paragraph by filing a false application;
- (ii) a person that fails to file a notification under the provisions of Article 18, paragraph (1) (including as applied pursuant to Article 48 following the

- deemed replacement of terms ) or files a false notification;
- (iii) a person that fails to make a report under the provisions of Article 19 or has made a false report;
- (iv) a person that fails to give a notice pursuant to the provisions of Article 58 (including as applied pursuant to Article 48 following the deemed replacement of terms) or gives a false notice; or
- (v) a person that fails to make a report under the provisions of Article 59, paragraph (4) or make a false report.

Article 294 If the representative, an agent, an employee, or other worker of a corporation violates the provisions set forth in one of the following items in relation to the business or property of the corporation, in addition to the violator being subject to punishment, the corporation is subject to the fine prescribed in the relevant item:

- (i) the provisions of Article 289 or Article 290: a fine of not more than 300 million yen;
- (ii) the provisions of Article 291 (excluding item (v)): a fine of not more than 200 million yen; and
- (iii) the provisions of Article 291, item (v) or the preceding Article: the fine prescribed in the respective Articles.

Article 295 If an officer or a liquidator of a book-entry transfer institution or account management institution falls under one of the following items, the officer or liquidator is subject to a civil fine of not more than one million yen:

- (i) the officer or liquidator fails to file a notification or files a false notification, in violation of the provisions of Article 6, paragraph (2);
- (ii) the officer or liquidator violates an order under the provisions of Article 21 or Article 23 (including as applied pursuant to Article 48 following the deemed replacement of terms);
- (iii) the officer or liquidator neglects to give a notice or gives a false notice in violation of the provisions of Article 34, paragraph (2) or (4);
- (iv) the officer or liquidator fails to enter the information that is required to be entered in the document referred to in Article 36, paragraph (2), or makes a false entry in that document;
- (v) the officer or liquidator fails to deliver a document at the time of giving notice of the convocation of a participant meeting, in violation of the provisions of Article 36, paragraph (2);
- (vi) the officer or liquidator refuses a request made pursuant to the proviso of Article 36, paragraph (3), without legitimate grounds for doing so;
- (vii) the officer or liquidator fails to keep electronic or magnetic records or minutes, in violation of the provisions of Article 312, paragraph (4) of the

- Companies Act as applied mutatis mutandis pursuant to Article 36, paragraph (4) or the provisions of Article 731, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 39;
- (viii) the officer or liquidator refuses the inspection or copying of a document or minutes under the provisions of Article 312, paragraph (5) of the Companies Act as applied mutatis mutandis pursuant to Article 36, paragraph (4) or the provisions of Article 731, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 39 (if an electronic or magnetic record has been used to prepare the document or minutes, anything that shows the content of the data recorded in the electronic or magnetic record), without legitimate grounds for doing so;
  - (ix) the officer or liquidator convenes a participant meeting at a place other than that prescribed in the operational rules;
  - (x) the officer or liquidator fails to explain a matter that the participants have asked to be explained at a participant meeting, without legitimate grounds for failing to do so;
  - (xi) the officer or liquidator files a false petition at a participant meeting or conceals a fact from the participants at a participant meeting;
  - (xii) the officer or liquidator neglects to issue public notice of authorization for a resolution at a participant meeting or issues a false public notice, in violation of the provisions of Article 735 of the Companies Act as applied mutatis mutandis pursuant to Article 39;
  - (xiii) the officer or liquidator fails to make an entry or record of information that is required to be entered or recorded in the minutes, or makes a false entry or record in them, in violation of the provisions of Article 731, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 39;
  - (xiv) the officer or liquidator neglects to give a notice or gives a false notice, in violation of the provisions of Article 69, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 69, paragraph (3) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)), Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 70, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 71, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 79, paragraph (4) (including as applied mutatis mutandis pursuant to Article

113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 92, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 92, paragraph (3)); Article 93, paragraph (1); Article 94, paragraph (1); Article 95, paragraph (1) (including as applied through a deemed replacement of terms pursuant to Article 48); Article 96, paragraph (1); Article 104, paragraph (4); Article 108, paragraph (4); Article 121-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 121-2, paragraph (3)); Article 121-2, paragraphs (4) through (6); Article 121-3, paragraph (2) (including as applied mutatis mutandis pursuant to Article 121-3, paragraph (3)); Article 121-3, paragraphs (4) through (6); Article 121-4, paragraph (2) (including as applied mutatis mutandis pursuant to Article 121-4, paragraph (4)); Article 122-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 122-2, paragraph (3)); Article 122-2, paragraphs (4) through (6); Article 124-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 124-2, paragraph (3)); Article 124-2, paragraphs (4) through (6); Article 127-5, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 127-5, paragraph (3)); Article 127-7, paragraph (1); Article 127-9, paragraph (1); Article 127-10, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-10, paragraph (4)); Article 127-11, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-11, paragraph (4)); Article 127-12, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-12, paragraph (4)); Article 127-13, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-13, paragraph (4)); Article 127-14, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-14, paragraph (4)); Article 127-22, paragraph (4); Article 130, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 130, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 132, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 134, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 135, paragraph (2) (including as applied mutatis mutandis pursuant to Article 135, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 136, paragraph (2) (including as applied

mutatis mutandis pursuant to Article 136, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 137, paragraph (2) (including as applied mutatis mutandis pursuant to Article 137, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii)); Article 138, paragraph (2) (including as applied mutatis mutandis pursuant to Article 138, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270, and Article 276, item (ii)); Article 146, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 166, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 166, paragraph (3) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)), Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); Article 168, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 170, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); Article 171, paragraph (2) (including as applied mutatis mutandis pursuant to Article 171, paragraph (4) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)), Article 247-3, paragraph (1) and Article 276, item (iii)); Article 180, paragraph (4) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 195, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 195, paragraph (3) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)), Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 197, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 199, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); Article 200, paragraph (2) (including as applied

- mutatis mutandis pursuant to Article 200, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)); Article 202, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 211, paragraph (4) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); Article 230, paragraph (2); Article 240, paragraph (2); Article 241, paragraph (2) (including as applied mutatis mutandis pursuant to Article 241, paragraph (4)); or Article 242, paragraph (2) (including as applied mutatis mutandis pursuant to Article 242, paragraph (4)); or
- (xv) the officer or liquidator refuses a request made pursuant to the provisions of Article 86, paragraph (3) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 124, and Article 276, item (i)); Article 127-27, paragraph (3); Article 222, paragraph (3) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); Article 222, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); or Article 277, without legitimate grounds for doing so, or delivers a document that contains false statements.

Article 296 If the officer of a corporation falls under one of the following items, they are subject to a civil fine of not more than one million yen:

- (i) the officer gives consent to another book-entry transfer institution, in violation of the provisions of Article 13, paragraph (2);
- (ii) the officer issues corporate bond certificates or other certificates, in violation of the provisions of Article 67, paragraph (1) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 127-3, paragraph (1); Article 164, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); Article 193, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); Article 227, paragraph (1); or Article 238, paragraph (1) (excluding cases in which corporate bond certificates or other certificates are issued under the provisions of Article 67, paragraph (2) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 164, paragraph (2) (including as applied mutatis mutandis pursuant

- to Article 247-3, paragraph (1), Article 249, paragraph (1) and Article 276, item (iii)); Article 193, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); Article 227, paragraph (2); or Article 238, paragraph (2));
- (iii) the officer refuses a request made pursuant to the provisions of Article 67, paragraph (2) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 127-3, paragraph (2); Article 164, paragraph (2) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); Article 193, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv)); Article 227, paragraph (2); or Article 238, paragraph (2), without legitimate grounds for doing so;
- (iv) the officer neglects to give a notice or gives a false notice, in violation of the provisions of Article 69, paragraph (1) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 69-2, paragraph (1) or (2) (including as applied mutatis mutandis pursuant to Article 121 and Article 276, item (i)); Article 70-3, paragraph (4) (including as applied mutatis mutandis pursuant to Article 121 and Article 276, item (i)); Article 121-2, paragraph (1); Article 121-3, paragraph (1); Article 121-4, paragraph (1); Article 122-2, paragraph (1); Article 124-2, paragraph (1); Article 127-5, paragraph (1); Article 127-6, paragraph (1) or (2); Article 127-8-2, paragraph (4); Article 127-10, paragraph (1); Article 127-11, paragraph (1); Article 127-12, paragraph (1); Article 127-13, paragraph (1); Article 130, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 131, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 131, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii)); Article 133-2, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii)); Article 136, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1), and



Article 276, item (ii)); Article 137, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), and Article 276, item (ii)); Article 138, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270, and Article 276, item (ii)); Article 166, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); Article 167, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)); Article 167, paragraph (2) (including as applied mutatis mutandis pursuant to Article 276, item (iii)); Article 169-2, paragraph (4) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)); Article 171, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)); Article 183, paragraph (2) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1) and Article 276, item (iii)); Article 195, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 196, paragraph (1) or (2) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 198-2, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 200, paragraph (1) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 202, paragraph (1) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (1) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 215, paragraph (2) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 240, paragraph (1); Article 241, paragraph (1); or Article 242, paragraph (1);

(v) the officer violates the provisions of Article 87, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127, and Article 276, item (i)); Article 127-32, paragraph (1); Article 162, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)); Article 191, paragraph (1) (including as applied mutatis mutandis pursuant to Article 247-3, paragraph (1), Article 249, paragraph (1), and Article 276, item (iii)); or Article 225, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));

(vi) the officer neglects to issue public notice prescribed in this Act or issues false public notice.

Article 297 If the officer of a corporation falls under one of the following items, they are subject to a civil fine of not more than 300,000 yen:

- (i) the officer neglects to file a notification, in violation of the provisions of Article 41, paragraph (2) (including as applied pursuant to Article 48 following the deemed replacement of terms); or
- (ii) the officer fails to make a report pursuant to the provisions of Article 58 (including as applied pursuant to Article 48 following the deemed replacement of terms) or makes a false report.