

# **Regulations for Enforcement of the Insurance Business Act (Part I through Part II Chapter V)**

(Ministry of Finance Order No. 5 of February 29, 1996)

Pursuant to the provisions of the Insurance Business Act and the Order for Enforcement of the Insurance Business Act, for the purpose of enforcement of the same Act and the same Cabinet Order, the Ministerial Order which is to entirely amend the Regulations for Enforcement of the Insurance Business Act (Order of Ministry of Agriculture and Commerce No. 29 of 1912) is prescribed as follows:

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## **Part I General Provisions**

(Definitions)

Article 1 In this Cabinet Office Order, each of the terms "insurance business", "insurance company", "life insurance company", "non-life insurance company", "mutual company", "foreign insurer", "foreign insurance company, etc.", "foreign life insurance company, etc.", "foreign non-life insurance company, etc.", "foreign mutual company", "all shareholders' voting rights", "subsidiary company", "major shareholder threshold", "insurance company's major shareholder", "insurance holding company", "small amount and short term insurance business", "small amount and short term insurer", "life insurance agent", "non-life insurance agent", "non-life insurance representative", "small amount and short term insurance agent", "insurance agent", "affiliated insurance company, etc.", "insurance broker", "insurance solicitation", "means of public notice", "designated dispute resolution organization", "life insurance business", "non-life insurance business", "small amount and short term insurance business", "insurance solicitation by insurance broker", "insurance business, etc.", "complaint processing procedures", "dispute resolution procedures", "business of dispute resolution, etc.", "category of business of dispute resolution, etc." and "basic contract for implementation of dispute

resolution procedures" means "insurance business", "insurance company", "life insurance company", "non-life insurance company", "mutual company", "foreign insurer", "foreign insurance company, etc.", "foreign life insurance company, etc.", "foreign non-life insurance company, etc.", "foreign mutual company", "all shareholders' voting rights", "subsidiary company", "major shareholder threshold", "insurance company's major shareholder", "insurance holding company", "small amount and short term insurance business", "small amount and short term insurer", "life insurance agent", "non-life insurance agent", "non-life insurance representative", "small amount and short term insurance agent", "insurance agent", "affiliated insurance company, etc.", "insurance broker", "insurance solicitation", "means of public notice", "designated dispute resolution organization", "life insurance business", "non-life insurance business", "small amount and short term insurance business", "insurance solicitation by insurance broker", "insurance business, etc.", "complaint processing procedures", "dispute resolution procedures", "business of dispute resolution, etc.", "category of business of dispute resolution, etc." and "basic contract for implementation of dispute resolution procedures" as respectively provided in Article 2 of the Insurance Business Act (Act No. 105 of 1995; referred to below as the "Act").

(Method of Consolidation of Financial Statements)

- Article 1-2 (1) The companies required to prepare their financial statements and any other documents on a consolidated basis pursuant to the provisions of Cabinet Office Order, as provided in Article 1-3, item (ii) and Article 38-9, paragraph (2) of the Order for Enforcement of the Insurance Business Act (Cabinet Order No. 425 of 1995; referred to as the "Cabinet Order" below), are a consolidated subsidiary company as provided in Article 2, item (iv) of the Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; referred to below as the "Regulations on Consolidated Financial Statements"); and a non-consolidated subsidiary company (meaning a non-consolidated subsidiary company as provided in Article 2, item (vi) of the Regulations on Consolidated Financial Statements) or an affiliated company (meaning an affiliated company as provided in item (vii) of the same Article), to which equity method (meaning the equity method as provided in item (viii) of the same Article) applies).
- (2) The miscellaneous educational institution to be specified by Cabinet Office Order, as provided in Article 1-3, item (vii) of the Cabinet Order, is a school with one-year or longer curriculum period, which has a course consisting of six hundred and eighty or longer class hours in total per year (if the school has categorized courses as regular courses, specialized courses or any other similar courses, meaning the total class hours for each course; and the course is

referred to as the "specialized course").

- (3) The student to be specified by Cabinet Office Order, as provided in Article 1-3, item (vii) of the Cabinet Order is a student enrolled in the specialized course.

(Scope of Close Relationships)

Article 1-2-2 (1) The close relationship to be specified by Cabinet Office Order, as provided in Article 1-4, paragraph (2), item (i) of the Cabinet Order, is as follows:

- (i) the relationship wherein two or more organizations are connected with each other, in any of the manners stated in (a) through (c) below:
  - (a) where one of the parties or its officer (meaning a director, executive officer, company auditor, representative or any other person who assumes a position similar to any of the aforementioned; the same applies below in this item) or employee assumes the position of an officer or employee of any of the other parties;
  - (b) where one of the parties or its representative is a relative (limited to a spouse, and relative by blood and relative by affinity within the third degree of kinship; the same applies below in this item) of any of the other parties or its representative;
  - (c) where one of the parties satisfies any of the following requirements, as the party which takes control over the business management of any of the other parties:
    - 1. that the total number of voting rights (meaning voting rights as provided in Article 2, paragraph (11) of the Act; the same applies below in this Part, Article 6, Article 46, Chapter III of Part II (excluding Article 52-12-2), Chapters IV, VI and VII, Article 105, Article 105-6, Article 118, Chapter XI (excluding Article 210-10-2), Chapter XII (excluding Article 211-38 and Article 211-82), Part IV and Article 246) represented by shares or contributions in a party, which are held by any of the following parties having relationship with the other party, exceeds 50 percent of the voting rights of all shareholders or all contributors of the first-mentioned party:
      - i. the other party itself;
      - ii. when the other party is a corporation or any other type of organization (referred to below as a "corporation, etc." in this item and Article 45-25, paragraph (3)), its officers and major shareholders (meaning a holder of voting rights not less than 10 percent of all shareholders' voting rights in a corporation, etc.; the same applies in iv.);
      - iii. a relative of a party stated in i. or ii.;
      - iv. if the major shareholder stated in ii. is a corporation, etc., its officers; and its associated parent corporation, etc. and its officers (the term

"associated parent corporation, etc." means the corporation, etc. if it holds voting rights in excess of 50 percent the voting rights of all shareholders or contributors of another corporation, etc.; and also including the corporation, etc., if the voting rights in excess of 50 percent of the voting rights all shareholders or all equity contributors in the associated parent corporation, etc. are held by the corporation, etc., or by the corporation, etc. and its associated subsidiary corporation, etc. (meaning the corporation, etc., if the voting rights in excess of 50 percent of its voting rights of all shareholders or contributors are held by another corporation, etc.; and including the corporation, etc., if the voting rights in excess of 50 percent of its voting rights of all shareholders or contributors are held by the associated subsidiary corporation, etc., or by the associated subsidiary corporation, etc. and its associated subsidiary corporation, etc.; the same applies in vi.);

- v. if any party stated in any of i. through iv. above is a holder of voting rights in excess of 50 percent of voting rights of all shareholders or all contributors in a corporation, etc., that corporation, etc. and its officers;
- vi. an associated subsidiary corporation, etc. of a corporation, etc. stated in item v., and its officers;
- vii. relatives of officers stated in any of iv. through vi. above;
- 2. that the parties stated in 1., i. through vii., the persons who formerly served as officers of the party stated in 1., i. (limited to the case where two years have not yet passed from the day when that person ceased to assume the position of officers), and the employees of the party stated in 1., i. constitute the majority of officers or representing officers of the other party;
- (ii) a relationship wherein the parties entrusted business and property administration from two or more organizations are connected with each other, in any of the manners stated in (a) through (c) of the preceding item; or
- (iii) a relationship wherein one of two or more organizations is connected with a party entrusted business and property administration from any of the rest of the organizations, in any of the manners stated in item (i), (a) through (c).
- (2) The insurance contract to be specified by Cabinet Office Order, as provided in Article 1-4, paragraph (2), item (iv) of the Cabinet Order is an insurance contract which requires installment payment of insurance premiums or an insurance contract whose insurance term is longer than one year; and the insurance premiums to be specified by Cabinet Office Order, as provided in that item are the annualized insurance premiums.
- (3) The provisions of Article 13-5-2, paragraph (6) of the Cabinet Order apply

mutatis mutandis to voting rights held by the person provided in paragraph (1), item (i), (c), 1., when those provisions apply.

(Individual's State of Catastrophic Illness)

Article 1-2-3 The individual's state to be specified by Cabinet Office Order, as provided in Article 1-6, paragraph (1), item (iii) of the Cabinet Order is as follows:

- (i) state of disabilities which fall under the class I or class II as provided in Appended Form No. 1 of the Regulations for Enforcement of the Industrial Accident Compensation Insurance Act (Ministry of Labor Order No. 22 of 1955), or any other state deemed equivalent to the aforementioned; and
- (ii) state which fall under Article 1, paragraph (1), item (iv) or (v) of the Ministerial Order on Examination for Certification of Needed Long-Term Care by Certification Committee of Needed Long-Term Care and Criteria for Judgment (Ministry of Welfare Order No. 58 of 1999).

(Low-Incidence Insurance)

Article 1-2-3-2 The insurance to be specified by Cabinet Office Order, as provided in Article 1-6, item (vii) of the Cabinet Order is an insurance that covers liability for damage accrued in connection with private daily lives (excluding the contract related to driving of automobiles).

(Requirements for Judgment of Existence of Fact Inferring Material Impact on Decisions on Financial and Business Policies of Company)

Article 1-2-4 The requirements to be specified by Cabinet Office Order, as provided in Article 2, paragraph (13) of the Act are the requirements stated in Article 8, paragraph (6), item (ii), (a) through (e) of the Regulations on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ministry of Finance Order No. 59 of 1963; referred to below as the "Regulations on Financial Statements, etc.")

(Voting Rights Excluded from Voting Rights Held by Company or Voting Rights Holder)

Article 1-3 (1) The voting rights to be specified by Cabinet Office Order which are to be excluded from voting rights excluded from those held by a company or a voting rights holder, as referred to in Article 2, paragraph (15) of the Act (including as applied mutatis mutandis pursuant to Article 2-2, paragraph (2), Article 107, paragraph (9), Article 127, paragraph (2), Article 271-3, paragraph (2), Article 271-4, paragraph (5), Article 271-5, paragraph (4), Article 271-32, paragraph (3), Article 272-21, paragraph (2), Article 272-31, paragraph (5), Article 272-32, paragraph (3), Article 272-33, paragraph (2), Article 272-34,

paragraph (2) and Article 272-42, paragraph (3) of the Act; and also including as applied mutatis mutandis pursuant to Article 46, paragraph (2), Article 48-2, paragraph (2), Article 56, paragraph (18), Article 56-2, paragraph (6), Article 58, paragraph (11), Article 58-2, paragraph (5), Article 58-5, paragraph (3), Article 58-7, paragraph (5), Article 85, paragraph (2), Article 94, paragraph (4), Article 105, paragraph (3), Article 105-6, paragraph (3), Article 118, paragraph (3) and Article 210-7, paragraph (15) of this Cabinet Office Order; the same applies in the following paragraph) are the voting rights represented by the following shares or equity interests:

- (i) shares or equity interests owned by a financial instruments business operator (meaning a financial instruments business operator as provided in Article 2, paragraph (9) (Definitions) of the Financial Instruments and Exchange Act (Act No. 25 of 1948); the same applies below) and a foreign company engaged in securities-related business (meaning securities-related business as provided in Article 28, paragraph (8) (Definitions) of that Act; the same applies below), in the course of their respective businesses;
- (ii) shares or equity interests comprising trust property related to a trust other than a monetary trust for which an agreement on compensation of principal or supplementation of profit has been concluded under Article 6 (Conclusion of a Trust Contract on Compensation of Loss, etc.) of the Act on Engagement in Trust Business by Financial Institutions (Act No. 43 of 1943) (excluding those in relation to which a settlor or a beneficiary is entitled to exercise the voting rights related to the shares or equity interests or give instruction to the holders of the voting rights as to the exercise of the voting rights);
- (iii) shares or equity interests acquired or owned as assets of an investment limited partnership as provided in Article 2, paragraph (2) (Definitions) of the Limited Partnership Act for Investment (Act No. 90 of 1998) (referred to below as an "investment limited partnership"), by way of becoming its limited partner (excluding the cases where the limited partner is entitled to exercise voting rights; and where a limited partner is authorized to give instruction to the general partner of that investment limited partnership as to the exercise of voting rights);
- (iv) shares or equity interests acquired or owned as assets of a partnership established in accordance with a partnership contract as provided in Article 667, paragraph (1) (Partnership Contract) of the Civil Code (Act No. 89 of 1896) under which the parties thereto undertake to carry out business of investment in companies (limited to a partnership which appoints one or several partners to execute the business), by way of becoming its partner (excluding a partner appointed to execute the business; referred to below as a "non-operating partner" in this item) (excluding the cases where the non-operating partner is entitled to exercise voting rights and where a non-

- operating partner is authorized to give instruction on the exercise of voting rights to a partner appointed to execute the business); or
- (v) those approved by the Commissioner of the Financial Services Agency as being equivalent to the shares or equity interests prescribed in the preceding two items.
- (2) The voting rights represented by the shares or equity interests comprising trust property, which are designated by Cabinet Office Order to be excluded from the voting rights which entitle the company or holder of the voting rights, as a settlor or a beneficiary, to exercise or to give instruction on exercise of the voting rights, as referred to Article 2, paragraph (15) of the Act, are the voting rights represented by the shares or equity interests, the exercise of which is instructed by that company as the settlor company of an investment trust (meaning a settlor company of an investment trust as provided in Article 2, paragraph (11) of the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951); the same applies below), pursuant to the provisions of Article 10 of that Act; and the voting rights represented by the shares or equity interests, the exercise of which are, in accordance with the provisions of the laws and regulations of the foreign state equivalent to Article 10 of that Act, instructed by that company as may be deemed equivalent to a settlor company of an investment trust pursuant to the provisions of the laws and regulations of a foreign state equivalent to that Act.
- (3) If an insurance company seeks to obtain an approval under paragraph (1), item (v), it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching a written statement of reasons.
- (4) If the application for approval under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether the applicant insurance company is not entitled to exercise the voting rights represented by the shares or equity interests regarding which the relevant application is filed, or to give instruction as to exercise of the voting rights.

(Organization Equivalent to Corporation)

Article 1-4 An equivalent of a corporation to be specified by Cabinet Office Order, as provided in Article 2-2, paragraph (1), item (i) of the Act is an association or foundation without legal personality for which a representative person or an administrator has been appointed.

(Method of Consolidation of Financial Statements)

Article 1-5 (1) The companies required to prepare its financial statements or any other documents on a consolidated basis pursuant to the provisions of Cabinet Office Order, as provided in Article 2-2, paragraph (1), item (ii) of the Act, are companies submitting consolidated financial statements as provided in Article

2, item (i) of the Regulations on Consolidated Financial Statements.

(2) The number to be calculated in accordance with the formula to be provided by the Cabinet Office Order, as provided in Article 2-2, paragraph (1), item (ii) of the Act, is the amount derived by multiplying the number of voting rights of all shareholders in an insurance company, etc. (meaning an insurance company or a small amount and short term insurance company; the same applies below ), by the specified voting rights ratio (the "specified voting rights" means the voting rights as provided in Article 2, paragraph (11) of the Act, excluding the voting rights represented by shares deemed as shares with voting rights pursuant to the provisions of Article 879, paragraph (3) (Jurisdiction over a Special Liquidation Case) of the Companies Act (Act No. 86 of 2005), the same applies below in this paragraph; and the "specified voting rights ratio" means the number of specified voting rights held in a single insurance company, etc., divided by the number of specified voting rights of all shareholders in the insurance company, etc.), on the basis of the sum of the number of the specified voting rights in the insurance company, etc. held by the company and the number of the specified voting rights in the insurance company, etc. related to the consolidated companies, etc. (meaning companies, as provided in Article 2-2, paragraph (1), item (ii) of the Act; the same applies below in this Article to Article 1-7) as referred to in the following items in accordance with the categories respectively stated in that item:

- (i) a subsidiary company (meaning a subsidiary company as provided in Article 8, paragraph (3) of the Regulations on Financial Statements, etc.) of the company: the number of specified voting rights in the insurance company, etc. that are held by that subsidiary company;
- (ii) a party entitled to exercise, or deemed to have consented to exercise, the voting rights in the insurance company, etc., as provided in Article 8, paragraph (6), item (iii) of the Regulations on Financial Statements, etc.: the number of specified voting rights in the insurance company, etc. held by that party;
- (iii) the company's affiliated company (meaning an affiliated company as provided in Article 8, paragraph (5) of the Regulations on Financial Statements, etc.) (excluding a party stated in the preceding item): the number derived by multiplying the ratio of the affiliated company's net assets to the net assets belonging to that company, by the number of specified voting rights in the insurance company, etc. held by the affiliated company.

(Companies in Close Relationship)

Article 1-6 (1) The companies, etc. to be specified by Cabinet Office Order, as provided in Article 2-2, paragraph (1), item (iii) of the Act are as follows:

- (i) another company, etc., if the majority of voting rights of all shareholders or contributors in that another company, etc. are held by the company, etc.; or
  - (ii) another company, etc., if that another company, etc. holds the majority of the voting rights of all of the company's shareholders or contributors.
- (2) In the case referred to in the preceding paragraph, the voting rights held by a company, etc. majority of whose voting rights of all shareholders or equity interest holders are held by another company, etc. are deemed as voting rights held by that another company, etc.
- (3) The provisions of Article 13-5-2, paragraph (6) of the Cabinet Order apply mutatis mutandis to voting rights held by the company, etc. or another company, etc. in the case where the preceding two paragraphs apply.

(Parties Equivalent to Company Subject to Standards for Consolidation)

Article 1-7 The parties to be specified by Cabinet Office Order and the number to be calculated in accordance with Cabinet Office Order, as provided in Article 2-2, paragraph (1), item (vii) of the Act are the number specified in the following items, in accordance with the categories of the parties as respectively stated in that item:

- (i) a holder of a voting rights not less than the major shareholder threshold of an insurance holding company, etc. (meaning an insurance holding company or a small amount and short term insurance holding company (meaning a small amount and short term insurance holding company as provided in Article 272-37, paragraph (2) of the Act; the same applies below); the same applies below in this Article) (including the parties stated in Article 2-2, paragraph (1), item (i) of the Act; and excluding the parties stated in items (ii) through (vi) of the same paragraph): the number derived by dividing the number of voting rights in the insurance holding company, etc. held by the holder by the number of voting rights of all shareholders of the insurance holding company, etc., then multiplying the relevant number by the number of the voting rights of all shareholders of an insurance company, etc. which is the subsidiary company of the insurance holding company, or, the sum of the number of voting rights in an insurance company, etc. which is the subsidiary company of the insurance holding company, etc. held by the holder, the insurance holding company, etc. or a subsidiary company, etc. (meaning a subsidiary company, etc. as provided in Article 271-24, paragraph (1) of the Act in the case of an insurance holding company; or, meaning a subsidiary company, etc. as provided in Article 272-40, paragraph (1) of the Act in the case of a small amount and short term insurance holding company; the same applies in the following item) of the insurance holding company, etc., whichever is smaller;
- (ii) the person who falls under the items of Article 2-2, paragraph (1), items (ii)

through (vi) of the Act, given that these provisions are applied by replacing the term "insurance company, etc." to "insurance holding companies, etc." (excluding the persons stated in the relevant item and the person stated in the preceding paragraph): the lesser of the following amounts: the number of the voting rights as specified in the relevant items divided by the number of voting rights of all shareholders of the insurance holding company, etc. which has issued the shares representing the voting rights, and multiply the resulting number by the number of voting rights held by all shareholders of the insurance company, etc. which is a subsidiary company of the insurance holding company, etc.; or the number the sum of the voting rights in insurance company, etc. which is the subsidiary company of the insurance holding company, etc. held by the relevant party, the companies, etc. consolidated with that party, companies, etc. belonging to the corporate group (meaning the corporate group as provided in item (iii) of the same paragraph), companies, etc. or individuals persons whose voting rights are added when calculating the aggregate voting rights (meaning the aggregate voting rights as provided in item (v) of the same paragraph) of that party, or joint holder of the party (meaning the joint holder as provided in item (vi) of the same paragraph; the same applies in Article 208), the insurance holding company, etc. or its subsidiary companies, etc.

(Attachment of Japanese Translation)

Article 2 When, due to any special circumstance, it is impossible to prepare the Japanese version of any document required to be submitted to the Prime Minister, the Commissioner of the Financial Services Agency, Director-General of Local Finance Bureau or Director-General of the Fukuoka Local Finance Branch Bureau (referred to below as the "Prime Minister or other official" in the following Article, Article 244 and Article 246) pursuant to the provisions of the Act, the Cabinet Order or this Cabinet Office Order, a Japanese translation of that document must be attached to it.

(Conversion of Foreign Currency)

Article 3 If any document required to be submitted to the Prime Minister or other official under the Act, the Cabinet Order or this Cabinet Office Order contains any document with description of the amount in a foreign currency, the amount converted into the Japanese currency and the conversion rates used for the conversion must be stated in that document.

## **Part II Insurance Company**

### **Chapter I General Rules**

(Causes Similar to Sickness)

Article 4 The causes to be specified by Cabinet Office Order, as provided in Article 3, paragraph (4), item (ii), (d) of the Act are as follows:

- (i) parturition, and state of human body caused by the parturition;
- (ii) state of human body requiring fertility treatment;
- (iii) state of human body requiring constant nursing care, directly resulted from senility; and
- (iv) donation of bone marrow, and state of human body caused by the donation.

(Activities Similar to Medical Treatment)

Article 5 The activities to be specified to Cabinet Office Order, as provided in Article 3, paragraph (4), item (ii), (e) of the Act are as follows:

- (i) midwifery performed by a midwife as provided in Article 3 (Definitions) of the Act on Public Health Nurses, Midwives and Nurses (Act No. 203 of 1948);
- (ii) therapies performed by a judo therapist as provided in Article 2 (Definitions) of the Judo Therapists Act (Act No. 19 of 1970);
- (iii) therapies to be performed by a massage and figure pressure therapists, acupuncture therapists or moxacauterization therapists as provided in the Act on Practitioners of Massage, Finger Pressure, Acupuncture and Moxacauterization, etc. (Act No. 217 of 1947) (limited to therapies performed in accordance with the instructions from medical doctors).

(Documents to Be Attached to Written Application for License)

Article 6 (1) The documents to be specified by Cabinet Office Order, as provided in Article 4, paragraph (2) of the Act, are as follows:

- (i) a written statement of reasons;
- (ii) a certificate of registered matters of the company;
- (iii) the minutes of organizational meeting, if the meeting was called (in a case where, pursuant to the provisions of Article 82, paragraph (1) (Omission of Resolutions at Organizational Meetings) of the Companies Act, the resolution of an organizational meeting is deemed to have been adopted, a document certifying that the company falls under the relevant case; the same applies below) (or, if the insurance company has been incorporated through a share transfer (including share transfer on entity conversion as provided in Article 96-8, paragraph (1) of the Act) or through company split, the minutes of the relevant shareholders meeting (in a case where, pursuant to the provisions of Article 319, paragraph (1) (Omission of Resolution at Shareholders Meetings) of the Companies Act, a resolution of a shareholders meeting is deemed to have been made, a document certifying that the company falls in the relevant case; the same applies below) or any other document certifying that necessary procedures have been implemented);

- (iv) business plan;
- (v) the latest daily accounts sheet or any other document disclosing the current status of properties and profits and losses;
- (vi) résumés of directors and company auditors (if the company is a company with audit and supervisory committee (meaning a stock company or mutual company with audit and supervisory committee; the same applies below), résumés of directors, and if the company is a company with nominating committee, etc. (meaning a stock company or mutual company with nominating committee, etc. (meaning the nominating committee, etc. as provided in Article 4, paragraph (1), item (iii) of the Act); the same applies below), résumés of directors and executive officers);
- (vii) if the company is a company with accounting advisors (meaning a stock company or mutual company with accounting advisors; the same applies below), résumé of its accounting advisors (if any accounting advisor is a corporation, a document describing its background and the résumé of a member who is to perform the duties of that corporation; the same applies below);
- (viii) résumés of financial auditors (if any financial auditor is a corporation, a document describing its background and the résumé of a member who is to perform the duties of the corporation; the same applies below);
- (ix) a document describing the trade name or name of major shareholders and the number of voting rights held by the major shareholders (if the company is a mutual company, a list of its prospective members);
- (x) a document describing the status of maintenance of employees with knowledge and experience related to business of an insurance company;
- (xi) if the party seeking a license under Article 3, paragraph (1) of the Act has any subsidiary company, etc. (meaning a subsidiary company, etc. as provided in the first sentence of Article 97-2, paragraph (3) of the Act; the same applies below in this item and Article 10-2, item (v)), the following documents:
  - (a) a document describing the name of the subsidiary company, etc. and the location of its principal business office or principal office;
  - (b) a document describing the job titles and names of the officers of the subsidiary company, etc. (if any of its officer is a corporation, the officers include a person to perform the duties of the corporation);
  - (c) a document describing the details of business of the subsidiary company, etc.;
  - (d) the latest balance sheet (including the relevant notes; the same applies below), profit and loss statement (including the notes in reference thereto; the same applies below), and the statement of changes in shareholders' equity (including the notes in reference thereto; the same applies below) of

- the subsidiary company, etc., and any other document disclosing the recent status of its business, properties, and profits and losses; and
- (e) a document describing the prospect on business, properties, and profits and losses of the party seeking the license under Article 3, paragraph (1) of the Act as well as its subsidiary company, etc.;
- (xii) if the insurance regarding which the license application is filed covers any insurance contract (excluding an insurance contracts whose insurance period is one year or shorter (excluding the insurance contracts with a special agreement not to revise the insurance premiums rate upon the renewal of the contract); and also excluding injury insurance contract as provided in Article 212, paragraph (1), item (v) and any other types of insurance contracts providing for the payment of any other similar benefits; the same applies below in this Article, Article 11, item (vii), Article 53, paragraph (1), item (ii), Article 118, paragraph (1), item (vi), Article 179, paragraph (1), item (vii), Article 227-2, paragraph (3), item (xi), Article 234-21-2, paragraph (1), item (ix) and Article 243) for the third-sector insurance (meaning the insurance stated in Article 3, paragraph (4), item (ii) or paragraph (5), item (ii) of the Act (referred to below as the "third-sector primary insurance" in this item), or the insurance stated in Article 3, paragraph (5), item (i) which falls under the reinsurance for the third-sector primary insurance, whereby all insurance liabilities under the primary insurance contracts (meaning the insurance contracts which are not reinsurance contracts; the same applies in Article 33, paragraph (3), items (i) and (iii), Article 227-2, paragraph (3), item (xii) and Article 234-21-2, paragraph (1), item (x)) are transferred, and for which the policy reserve equivalent to the entire insurance liability is to be provided; the same applies below), a written opinion stating the results of the actuary's verification that the matters stated in the documents specified in Article 4, paragraph (2), item (iv) of the Act which relate to the contract for third-sector insurance are reasonable and adequate in terms of the actuarial methodology; and
- (xiii) any other document describing information which would be informative for implementation of the examination under Article 5, paragraph (1) of the Act.
- (2) In a business plan as referred to in item (iv) of the preceding paragraph, insurance solicitation plan, prospect on income and expenditure, and information which would serve their basis.
- (3) When a stock company which is not an insurance company submits a written application for license under Article 4, paragraph (1) so as to carry out the insurance business by amending its prior business purposes, the documents to be specified by Cabinet Office Order, as provided in paragraph (2) of the same Article are the following documents, beyond the documents provided in

paragraph (1) (excluding the portion related to item (iii)):

- (i) minutes of shareholders meeting resolving that it will engage in insurance business by amending its prior business purposes;
- (ii) the articles of incorporation before the amendment, and documents identifying the natures of transactions already in effect as of the time of the application of license; and
- (iii) the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc.

#### (Procedures for License Application)

- Article 7 (1) For submitting a written application for license under Article 4, paragraph (1) of the Act as well as its attachments, an original must be submitted to the Prime Minister via the Commissioner of the Financial Services Agency.
- (2) A party seeking a license under Article 3, paragraph (1) of the Act or a party intending to incorporate a stock company or a mutual company engaged in insurance business regarding which a license under the same paragraph is sought may make an application for the preliminary examination, by way of submitting to the Prime Minister, via the Commissioner of the Financial Services Agency, documents equivalent to those provided for in Article 4 of the Act.

#### (Matters to Be Stated in Statement of Business Procedures)

- Article 8 (1) An applicant of license under Article 3, paragraph (1) of the Act (referred to below as a "license applicant" in this Article through Article 10) must state the following matters in the documents as referred to in Article 4, paragraph (2), item (ii) of the Act:
- (i) scope of the insured or the insurance purposes, and categories of types of insurances (including reinsurances);
  - (ii) the matters concerning insurance amount and insurance period;
  - (iii) the matters concerning determination of the insured or the purposes of insurance; and the matters concerning the procedures for conclusion of insurance contracts;
  - (iv) the matters related to receiving of insurance premiums; and the matters related to payment of insurance proceeds and refunds including insurance premiums refunds;
  - (v) the matters to be stated in insurance policy certificate (meaning a document under Article 6, paragraph (1), Article 40, paragraph (1) or Article 69, paragraph (1) of the Insurance Act (Act No. 56 of 2008); the same applies below), application for insurance contracts, and documents to be attached thereto;

- (vi) the matters concerning special provisions under insurance contracts;
  - (vii) the matters concerning loan to be granted under policy conditions; and
  - (viii) the matters concerning treatment in cases of modification to insurance amount, insurance types or insurance period.
- (2) When a license applicant creates a special account (meaning a special account to be created pursuant to the provisions of Article 118, paragraph (1) of the Act; the same applies below in this Chapter to Chapter V), the applicant must, in addition to the matters stated in the items of the preceding paragraph, state the following matters; provided, however, that if the insurance contract for which a special account is to be created falls under the cases stated in any of Article 83, item (i), (a) through (n), it is not required to state the matters stated in item (iii):
- (i) a type of the insurance contract for which a special account is to be created;
  - (ii) types of properties in the special account, and the appraisal method therefor; and
  - (iii) the day when insurance premiums, in whole or in part, are transferred to the special account.
- (3) When a license applicant creates an accumulation account (meaning an account created pursuant to the provisions of Article 30-3, paragraph (1) (including as applied mutatis mutandis pursuant to Article 63); the same applies below in this paragraph and Article 11), the applicant must, in addition to the matters stated in the items of paragraph (1), state the following matters:
- (i) a type of insurance contract for which an accumulation account is to be created;
  - (ii) insurance premiums whose accounting is to be managed in the accumulation account; and
  - (iii) types of properties in the accumulation account, and the appraisal method therefor.

(Matters to Be Stated in General Policy Conditions)

Article 9 A license applicant must state the following matters in the document stated in Article 4, paragraph (2), item (iii) of the Act:

- (i) causes of payment of insurance proceeds;
- (ii) causes which render an insurance contract invalid;
- (iii) causes which release the insurer from its obligations under the insurance contract;
- (iv) method of specifying the scope of the insurer's obligations, and the timing for the performance;
- (v) disadvantage which may be suffered by a policyholder or an insured as a result of its failure in performance of the obligations under the policy conditions;

- (vi) grounds which give rise to cancellation of an insurance contract in whole or part, and the rights and obligations of the parties if the cancellation is effected; and
- (vii) if any person is entitled to receive policy dividends (meaning policy dividends as provided in Article 114, paragraph (1) of the Act; the same applies below in this Chapter through Chapter V and in Chapter XII) or distribution of surplus to members, the scope of entitlement.

(Matters to Be Stated in Statement of Calculation Procedures for Insurance Premiums and Policy Reserve)

Article 10 A license applicant must state in the document referred to in Article 4, paragraph (2), item (iv) of the Act the following matters: the matters stated in items (i) through (vi) and item (viii), in the case of an application for life insurance business license under Article 3, paragraph (4) of the Act; or the matters stated in items (i) through (iv) and items (vi) through (viii) (as for the matters stated in item (iii), limited the matters relating to an insurance contract for which an insurance premiums reserve under Article 70, paragraph (1), item (i), (a) (simply referred to below as "insurance premiums reserve" in this Article) is to be calculated or for which refund reserve under item (iii) of that item is to be set aside; as for the matters stated in item (iv), limited to the matters relating to an insurance contract wherein surplus or policy dividends are to be distributed to members; or as for the matters stated in item (vi), limited to the matters relating to an insurance contract for which insurance premiums reserve is to be calculated), in the case of an application for non-life insurance business license under Article 3, paragraph (5) of the Act:

- (i) the matters related to the method for calculation of insurance premiums (when the method requires a coefficient which serves the basis of calculation, the coefficient is included);
- (ii) the matters related to the method of calculation (when the method requires a coefficient which serves the basis of that calculation, the coefficient is included) of policy reserves (meaning policy reserves referred to in Article 116, paragraph (1) of the Act; the same applies below in this Chapter to Chapter VIII);
- (iii) the matters related to the method and basis of calculation of the amount of refunds or any other amount to be calculated based upon the amount to be reserved for the insured (referred to below as the "policyholder value");
- (iv) the matters related to the method of calculation of the members' dividend reserve referred to in Article 30-5, paragraph (1), item (i) or policy dividend reserve referred to in Article 64, paragraph (1), and distribution of surplus to members or policy dividends;
- (v) the matters related to posting of uncollected insurance premiums;

- (vi) the matters related to calculation methods applied in the case of modification to the insurance amount, insurance type or insurance period;
- (vii) the matters related to Net Insurance Premiums (meaning the portion of insurance premiums which is expected to be allocated for future payment of insurance proceeds; the same applies in Article 122 and Article 211-6); and
- (viii) any other matters necessary in relation to actuarial methodology.

(License Examination)

Article 10-2 When conducting an examination provided in Article 5, paragraph (1) of the Act which relates to the license application under Article 3, paragraph (1) of the Act, the Prime Minister is to pay due regards to the following circumstances:

- (i) if the category of the license for which the application is filed is a life insurance business license referred to in Article 3, paragraph (4) of the Act, that the applicant is expected to generate current net income or current net surplus in a single business year before the elapse of tenth business year after commencement of its business;
- (ii) if the category of the license for which the application is filed is a non-life insurance business license referred to in Article 3, paragraph (5) of the Act, that the applicant is expected to generate current net income or current net surplus in a single business year before the elapse of fifth business year after commencement of its business;
- (iii) that, after the license is granted, the applicant is expected to maintain the benchmark for the soundness of its business management at an appropriate level;
- (iv) that the matters contained in the documents stated in Article 4, paragraph (2), item (i) of the Act as attached to the written application for registration are adequate for securing the applicant's sound and proper business operation; and
- (v) that the applicant and its subsidiary company, etc. are expected to demonstrate sound income and expenditure results.

(Criteria for Examination of Statement of Business Procedures)

Article 11 The criteria to be specified by Cabinet Office Order, as provided in Article 5, paragraph (1), item (iii), (e) of the Act is as follows:

- (i) that the terms and conditions of the insurance contract appropriately match the needs and convenience of policyholders, etc. (meaning policyholders, etc. as provided in Article 5, paragraph (1), item (iii), (a) of the Act; the same applies below);
- (ii) that, for the method of obtaining consent provided in (a) or (b) below in relation to the procedure stated in (a) or (b), respectively, a method to obtain

- the consent in writing or any other equivalent method is clearly provided:
- (a) conclusion of an insurance contract (including the modification to contracts which requires consent from the insured; the same applies below in the following item): consent under Article 38 or Article 67, paragraph (1) of the Insurance Act;
  - (b) change of a beneficiary provided in Article 43, paragraph (1) or Article 72, paragraph (1) of the Insurance Act: consent under Article 45 or Article 74, paragraph (1) of that Act;
- (ii)-2 that, when the application of or any other procedures for conclusion of an insurance contract are to be handled by the use of devices connected to telecommunication lines made available for information processing, adequate measures are implemented so as to secure protection of policyholders, etc. and appropriate business operation, in relation to identify confirmation of the applicants of insurance contracts, checking of physical conditions of the insured (excluding the case where the insured cannot be identified at the time of conclusion of the insurance contract), explanation of contract terms and conditions, information management and any other aspects as may be required for implementation of those procedures;
- (iii) that the method of disclosure of information on surrender value of an insurance contract is appropriate and bears no risk of negative impact on protection of policyholders, etc., and that the method is clearly provided;
- (iii)-2 that, in the case of any of the following insurance contracts regarding which the revocation, etc. of application as provided in Article 309, paragraph (1) of the Act is unacceptable due the ground that falls under any of the cases specified in Article 45, items (i) through (iv) of the Cabinet Order, the insurance contract may provide for an option for a special early cancellation (meaning a cancellation of an insurance contract regarding which, for the purpose of calculation of the surrender value payable to the policyholders, the deduction from the policyholder value is treated as zero and the contract expenses deducted from the insurance premiums is added to the policyholder value, only for the period until the elapse of certain number of days not less than ten days counting from the execution date of the insurance contract or the dates close to it; the same applies in Article 53-12); provided, however, this does not apply to the case where the revocation, etc. of the application is unacceptable on the ground of falling under any of the cases stated in Article 309, paragraph (1), items (ii) through (v) of the Act or in Article 45, items (v) through (viii) of the Cabinet Order; or where the insurance contract contains a provision that the insurance company accepts the revocation, etc. of the application if any of the cases specified in Article 45, items (i) through (iv) of the Cabinet Order applies:
- (a) insurance contracts stated in the items of Article 74;

- (b) an insurance contract (excluding the insurance contracts as referred to in (a) above) which entails potential risk that the surrender value may fall short of the total amount of insurance premiums, as a result of a fluctuation in indicators such as interest rate, value of currencies or quotations on the Financial instruments market (meaning the Financial instruments market as provided in Article 2, paragraph (14) of the Financial Instruments and Exchange Act; the same applies below);
- (c) an insurance contract (excluding the insurance contracts referred to in (a) or (b) above) under which the amount of insurance proceeds, refunds or any other benefits (referred to below as "insurance proceeds, etc.") are indicated in foreign currencies;
- (iv) that, when the insurance stated in Article 3, paragraph (4), item (i) or (ii) of the Act is to be underwritten, the criteria for payment and the maximum limitation of the insurance proceeds are adequate;
- (v) that, in the case of an insurance contract for which a special account or an accumulation account is to be created, the structures for investment of the properties in those accounts are adequate;
- (vi) that the measures are clearly prescribed so that the documents specified in Article 227-2, paragraph (3), items (vi) through (ix) and Article 234-21-2, paragraph (1), items (iv) through (vii) are to be furnished to a policyholder or the matters to be stated in the documents are to be furnished by electronic or magnetic means provided in Article 227-2, paragraph (4) and Article 234-21-2, paragraph (2), and that signature or seals in acknowledgment of the receipt of those documents by the policyholder are to be obtained, or that similar measures are clearly prescribed;
- (vii) that, in the case of an insurance contract regarding which the insurance company undertakes that insurance premiums rate or any other terms and conditions under the contract may be modified (including addition to or deletion of the terms and conditions under the contract, and also including whole or partial cancellation of that contract), in whole or in part, any of the following requirements is met:
  - (a) that, when any of the terms and conditions under the insurance contract are subject to any modification, the requirement, the provisions subject to modification, the details of the modification, and the timing for informing the policyholder of the relevant change are clearly provided; in this case, if, in connection with the contracts for third-sector insurance, the provisions on the right to modification of base rate (meaning the right to effect any modification to the amount of insurance premiums or the amount of insurance proceeds by amending the incidence rate of insured events which served as the basis of calculation of insurance premiums as of the time of conclusion of the insurance contract (referred to below as the "assumed

incidence rate"), due to the reason that the actual incidence rate of insured events (referred to below as "actual incidence rate") deviate or will likely deviate from the estimation as of the time of conclusion of the insurance contract; the same applies below) is to be stated in the document stated in Article 4, paragraph (2), item (iii) of the Act, the criteria for judgment of eligibility for application of the recognition under Article 123, paragraph (1) of the Act which relates to the exercise of the right to modification of base rate (referred to as "criteria for exercise of right to modification of base rates" in Article 53, paragraph (1), item (ii), (a) through (c), Article 227-2, paragraph (3), item (xi), (a) and Article 234-21-2, paragraph (1), item (ix), (a)) is clearly provided based on the indicator reflecting the figure of the actual incidence rate against the assumed incidence rate;

- (b) that, when the insurance company notifies the policyholder of any amendment to the terms and conditions under the insurance contract, the policyholder may effect non-retroactive cancellation of the insurance contract without suffering any disadvantage.

(Criteria for Examination of Statement of Calculation Procedures for Insurance Premiums and Policy Reserve)

Article 12 The criteria to be specified by Cabinet Office Order, as provided in Article 5, paragraph (1), item (iv), (c) of the Act is as follows:

- (i) that the calculation of the policyholder value is not unreasonably disadvantageous to the policyholder, etc.;
- (ii) that, regarding the matters specified in the document (excluding the portion related to the insurance premiums), a specific party is not treated in an unreasonably discriminatory manner; and
- (iii) that, when the automobile driving insurance (excluding automobile damage liability insurance as provided in Article 5 (Compulsory Execution of Contract for Liability Insurance or Liability Mutual Aid Insurance) of the Automobile Liability Security Act (Act No. 97 of 1955)) is to be underwritten, the insurance satisfies all of the following requirements:
  - (a) that, when a risk factor is to be used for the calculation of net insurance premiums rate, the risk factor is one or more of the following factors:
    1. age;
    2. sex;
    3. driving history;
    4. purpose of use of automobile, such as business use or personal use;
    5. status of use of automobile, such as driving distance per year;
    6. districts;
    7. automobile type;
    8. whether the automobile is equipped with safety device; and

- 9. the number of automobiles owned;
- (b) that the disparity of net insurance premiums rate based on the risk factors as provided in (a) above is provided in conformity with the statistics and actuarial methodology;
- (c) that the net insurance premiums rate related to age, sex and district as provided in (a) above satisfies the requirements listed in the left columns of Appended Form hereto, in accordance with the categories as respectively listed in the right columns;
- (d) that, if the documents as provided in Article 4, paragraph (2), item (iv) of the Act contain the description that the insurance premiums are subject to modification to the certain extent within the proximity of the insurance premiums for which the license has been granted, the maximum or minimum limit of the range is the amount of insurance premiums for which the license has been granted, plus or less 1.25 percent of that amount, respectively.

(Trade Name or Name)

- Article 13 (1) The characters to be specified by Cabinet Office Order denoting that the company is an insurance company, as provided in Article 7, paragraph (1) of the Act, are "life insurance".
- (2) The characters to be specified by Cabinet Office Order denoting that the company is a non-life insurance company, as provided in Article 7, paragraph (1) of the Act, are as follows:
- (i) fire insurance;
  - (ii) marine insurance;
  - (iii) injury insurance;
  - (iv) automobile insurance;
  - (v) reinsurance; and
  - (vi) non-life insurance.
- (3) A non-life insurance company may use any of the characters stated in the items of the preceding paragraph in its trade name or name, in order to suffice the requirements.

Article 14 Deleted

(Application for Authorization of Directors' Concurrent Holding of Positions at Other Companies)

- Article 14-2 (1) If a director (an executive officer, in the case of a company with nominating committee, etc.; the same applies in the following paragraph) engaged in the ordinary business of an insurance company seeks to obtain an authorization referred to in Article 8, paragraph (1) of the Act, the director

must submit the written application for authorization with the following documents attached to it, and submit them to the Commissioner of the Financial Services Agency via that insurance company; provided, however, that if the other company which intend to engage in ordinary business falls under the category of an insurance company or a foreign insurance company, etc., it is not required to attach the document stated in item (v):

- (i) a written statement of reasons;
  - (ii) résumé;
  - (iii) a document describing the method of handling ordinary business of the insurance company and the relevant other company;
  - (iv) a document describing the relationships, such as transactions, between the insurance company and the relevant other company;
  - (v) articles of incorporation of the relevant other company; the latest balance sheet, profit and loss statement, business report and statement of changes in shareholders' equity, etc. (in the case of a mutual company, a document on appropriation of surplus and disposition of loss and a statement of changes in funds, etc. (including the relevant notes; the same applies below)) (including documents similar to these documents); as well as any other document disclosing the matters related to the recent status of business, properties, and profits and losses; and
  - (vi) a document containing any other matters which would serve as reference information.
- (2) When the application for authorization under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether it is unlikely that the assumption of dual positions for which the application for the authorization is filed will give rise to any negative impact on the director's engagement in the ordinary business of the insurance company.
- (3) A written application for authorization to be submitted to an insurance company under paragraph (1) and documents to be attached to the written application for authorization (collectively referred to below as a "written application for authorization, etc." in this paragraph) may be submitted by electronic or magnetic means (meaning the electronic or magnetic means as provided in Article 16, paragraph (2), item (iv) of the Act; the same applies below, excluding Article 52-15, Article 52-17, Article 52-18, Article 52-21, paragraph (1), Article 52-24, Article 53, Article 227-2, Article 234, Article 234-21-2 and Article 234-27), if the written application for authorization, etc. is prepared in the form of an electronic or magnetic record (meaning the electronic or magnetic record as provided in Article 4, paragraph (3) of the Act; the same applies below, excluding Article 53-12).

## **Chapter I-2 Electronic or Magnetic Records and Electronic or Magnetic**

## Means

(Electronic or Magnetic Records)

Article 14-3 The records to be specified by Cabinet Office Order, as provided in Article 4, paragraph (3) (including as applied mutatis mutandis pursuant to Article 272-2, paragraph (3) of the Act) and Article 176 of the Act, are the files storing information, which are prepared with any object enabling secure storage of certain information through magnetic disks or any other equivalent means.

(Method to Indicate Information Stored in Electronic or Magnetic Records)

Article 14-4 The methods to be specified by Cabinet Office Order, as provided in the following provisions, are displaying of the information stored in the electronic or magnetic records on a written document or on a screen:

- (i) Article 16, paragraph (2), item (iii) of the Act (including as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act);
- (ii) Article 17-4, paragraph (2), item (iii) of the Act (including as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act);
- (iii) Article 26, paragraph (2), item (iii) of the Act;
- (iv) Article 74, paragraph (7), item (ii) (Proxy Voting), Article 76, paragraph (5) (Voting by Electronic or Magnetic Means) and Article 81, paragraph (3) (Minutes) of the Companies Act, as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act;
- (v) Article 32-2, paragraph (3), item (ii) of the Act;
- (vi) Article 310, paragraph (7), item (ii) (Proxy Voting), Article 312, paragraph (5) (Voting by Electronic or Magnetic Means), Article 318, paragraph (4), item (ii) (Minutes) and Article 319, paragraph (3), item (ii) (Omission of Resolutions at Shareholders Meetings) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act;
- (vii) Article 310, paragraph (7), item (ii) (Proxy Voting) of the Companies Act, as applied mutatis mutandis pursuant to Article 44-2, paragraph (3) of the Act (including as applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act);
- (viii) Article 312, paragraph (5) (Voting by Electronic or Magnetic Means) and Article 318, paragraph (4), item (ii) (Minutes) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act;
- (ix) Article 371, paragraph (2), item (ii) (Minutes) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-16 of the Act;
- (x) Article 374, paragraph (2), item (ii) (Authority of Accounting Advisors) and Article 378, paragraph (2), item (iii) (Keeping and Inspection of Financial Statements by Accounting Advisors) of the Companies Act, as applied

- mutatis mutandis pursuant to Article 53-17 of the Act;
- (xi) Article 394, paragraph (2), item (ii) (Minutes) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-21 of the Act (including as applied mutatis mutandis pursuant to Article 394, paragraph (3) of the Companies Act, as further applied mutatis mutandis pursuant to Article 53-21 of the Act);
  - (xii) Article 53-22, paragraph (2), item (ii) of the Act;
  - (xiii) Article 399-11, paragraph 2, item (ii) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (vi) of the Act (including as applied mutatis mutandis pursuant to Article 399-11, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (6) of the Act);
  - (xiv) Article 413, paragraph (2), item (ii) (Minutes) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-28, paragraph (6) of the Act;
  - (xv) Article 54-8, paragraph (3), item (iii) of the Act;
  - (xvi) Article 684, paragraph (2), item (ii) (Keeping and Making Available for Inspection of Bond Register) of the Companies Act, as applied mutatis mutandis pursuant to Article 61-5 of the Act;
  - (xvii) Article 731, paragraph (3), item (ii) (Minutes) of the Companies Act, as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act;
  - (xviii) Article 735-2, paragraph (3), item (ii) (Omission of Resolutions at Bondholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act;
  - (xix) Article 69-2, paragraph (3), item (iii) and paragraph (5), item (iii) of the same Article of the Act;
  - (xx) Article 74, paragraph (7), item (ii) of the Companies Act (Proxy Voting) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act;
  - (xxi) Article 76, paragraph (5) (Voting by Electronic or Magnetic Means) and Article 81, paragraph (3), item (ii) (Minutes) of the Companies Act, as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act (including as applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act);
  - (xxii) Article 82, paragraph (3), item (iii) of the Act (including as applied mutatis mutandis pursuant to Article 96-15 of the Act);
  - (xxiii) Article 87, paragraph (3), item (iii) and paragraph (5), item (iii) of the same Article of the Act;
  - (xxiv) Article 791, paragraph (3), item (iii) (Keeping and Inspection of Documents Concerning Absorption-Type Company Splits or Share Exchanges) of the Companies Act as applied mutatis mutandis pursuant to

- paragraph (4) of the same Article, as further applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act;
- (xxv) Article 794, paragraph (3), item (iii) (Keeping and Inspection of Documents Concerning an Absorption-Type Merger Agreement) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act;
- (xxvi) Article 811, paragraph (4), item (iii) (Keeping and Inspection of Documents Concerning an Absorption-Type Mergers) of the Companies Act, as applied mutatis mutandis pursuant to paragraph (6) of the same Article, as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act;
- (xxvii) Article 803, paragraph (3), item (iii) (Keeping and Inspection of Documents Concerning a Consolidation-Type Merger Agreement) of the Companies Act, as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act;
- (xxviii) Article 811, paragraph (3), item (iii) (Keeping and Inspection of Documents Concerning an Incorporation-Type Company Split or Share Transfer) of the Companies Act, as applied mutatis mutandis pursuant to paragraph (4) of the same Article, as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act;
- (xxix) Article 815, paragraph (4), item (iii) (Keeping and Inspection of Documents Concerning a Consolidation-Type Merger Agreement) of the Companies Act, as applied mutatis mutandis pursuant to paragraph (6) of the same Article, as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act;
- (xxx) Article 156-2, paragraph (2), item (iii) of the Act;
- (xxxi) Article 165-2, paragraph (2), item (iii) of the Act;
- (xxxii) Article 165-9, paragraph (2), item (iii) of the Act;
- (xxxiii) Article 165-13, paragraph (3), item (iii) of the Act (including as applied mutatis mutandis pursuant to Article 165-14, paragraph (3) of the Act);
- (xxxiv) Article 165-15, paragraph (2), item (iii) of the Act;
- (xxxv) Article 165-19, paragraph (2), item (iii) of the Act;
- (xxxvi) Article 165-21, paragraph (3), item (iii) of the Act (including as applied mutatis mutandis pursuant to Article 165-22, paragraph (3) of the Act);
- (xxxvii) Article 166, paragraph (3), item (iii) of the Act;
- (xxxviii) Article 371, paragraph (2), item (ii) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 180-15 of the Act;
- (xxxix) Article 496, paragraph (2), item (iii) (Keeping and Inspection of Balance Sheet) of the Companies Act, as applied mutatis mutandis pursuant to Article 180-17 of the Act;
- (xl) Article 196, paragraph (5), item (iii);

- (xli) Article 224, paragraph (3), item (iii);
- (xlii) Article 240-7, paragraph (2), item (iii) of the Act; and
- (xliii) Article 333, paragraph (1), item (vi) of the Act.

(Electronic or Magnetic Means)

Article 14-5 (1) The methods to be specified by Cabinet Office Order using an electronic data processing system or any other information and communication technology, as provided in Article 16, paragraph (2), item (iv) of the Act (including as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act) are as follows:

- (i) a method whereby electronic data processing system is to be used, as stated in (a) or (b) below:
    - (a) to transmit information via telecommunications line connected between a computer used by the sender and that used by the recipient, and to record the information in a file stored on a computer used by the recipient; or
    - (b) to provide recipients access to the details of information recorded into a file stored on a computer used by the sender via telecommunications line, and to record the information in a file stored on a computer used by the recipient;
  - (ii) to deliver the file storing the Information, which is prepared with any object enabling secure storage of certain information through magnetic disks or any other equivalent means.
- (2) The method stated in the items of the preceding paragraph is the method which enables a recipient to create a document by way of outputting information stored in the file.

(Electronic Signatures)

Article 14-6 (1) The alternative to affixing signature or name and seal, which is to be specified by Cabinet Office Order, as provided in the following provisions, is an electronic signature:

- (i) Article 22, paragraph (2) of the Act;
- (ii) Article 369, paragraph (4) (Resolution at Board of Directors Meetings) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-16 and Article 180-15 of the Act;
- (iii) Article 393, paragraph (3) of the Companies Act (Resolution at Board of Company Auditors Meetings), as applied mutatis mutandis pursuant to Article 53-21 of the Act;
- (iv) Article 399-10, paragraph (4) (Resolution at Audit and Supervisory Committee Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (6) of the Act;
- (v) Article 412, paragraph (4) (Resolution at Nominating Committee Meetings)

- of the Companies Act, as applied mutatis mutandis pursuant to Article 53-28, paragraph (6) of the Act; and
- (vi) Article 682, paragraph (3) (Delivery of Documents Showing Information Required to Be Entered in the Bond Register) and Article 695, paragraph (3) (Delivery of Documents Showing Information That Has Been Entered in the Bond Register Regarding Pledges) of the Companies Act, as applied mutatis mutandis pursuant to Article 61-5 of the Act.
- (2) The term "electronic signature" as provided in the preceding paragraph means a measure to be implemented for information recordable in an electronic or magnetic records, and which satisfies all of the following requirements:
- (i) that the purpose of the measure is to identify that the information was created by the person who has implemented the measure; and
- (ii) that the measure enables verification as to whether the information has been altered.

(Electronic or Magnetic Records to Be Provided by Inspectors)

Article 14-7 The electronic or magnetic records to be specified by Cabinet Office Order, as provided in the following provisions, are electronic or magnetic storage media as provided in Article 36, paragraph (1) (Structure of Electronic or Magnetic Records) of the Regulations on Commercial Registrations (Ministry of Justice Order No. 23 of 1964) (limited to electronic or magnetic records); and the electronic or magnetic records to be designated by the person who receives the electronic or magnetic records pursuant to the provisions of the following provisions:

- (i) Article 33, paragraph (4) (Appointment of Inspector of Information Specified or Recorded in the Articles of Incorporation) of the Companies Act, as applied mutatis mutandis pursuant to Article 24, paragraph (2) of the Act;
- (ii) Article 306, paragraph (5) (Appointment of Inspectors on Calling Procedures of Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 40, paragraph (2) and Article 47, paragraph (2) of the Act;
- (iii) Article 358, paragraph (5) (Appointment of Inspector of Execution of Operation) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-15 of the Act; and
- (iv) Article 207, paragraph (4) (Contribution of Property Other than Monies) of the Companies Act, as applied mutatis mutandis pursuant to Article 96-4 of the Act.

(Inspectors' Disclosure of Information Recorded on Electronic or Magnetic Records)

Article 14-8 The methods to be specified by Cabinet Office Order, as stated in

the following provisions (referred to below as "provisions concerning information disclosure by inspectors" in this Article), are the electronic or magnetic means, which is designated by a person who, pursuant to the provisions of the provisions concerning information disclosure by inspectors, receives the information recorded on the electronic or magnetic records pursuant to the relevant provision:

- (i) Article 33, paragraph (6) (Appointment of Inspector of Information Specified or Recorded in the Articles of Incorporation) of the Companies Act, as applied mutatis mutandis pursuant to Article 24, paragraph (2) of the Act;
- (ii) Article 306, paragraph (7) (Appointment of Inspectors on Calling Procedures of Shareholders Meetings) of the Companies Act, as applied mutatis mutandis pursuant to Article 40, paragraph (2) and Article 47, paragraph (2) of the Act;
- (iii) Article 358, paragraph (7) (Appointment of Inspector of Execution of Operation) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-16 of the Act; and
- (iv) Article 207, paragraph (6) (Contribution of Property Other than Monies) of the Companies Act, as applied mutatis mutandis pursuant to Article 96-4 of the Act.

(Special Provisions on Custody of Electronic or Magnetic Records)

Article 14-9 The measures to be specified by Cabinet Office Order, as provided in the following provisions, are a measure whereby electronic data processing system connecting the computers used by a mutual company via telecommunication lines is used, and where the details of information recorded into a file stored on the computer is to be recorded in the file stored on the computer used by the secondary offices of that mutual company via telecommunication lines:

- (i) Article 26, paragraph (3) of the Act;
- (ii) Article 318, paragraph (3) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) and Article 49, paragraph (1) of the Act; and
- (iii) Article 54-8, paragraph (2) of the Act.

(Measures to Display Information Recorded in Electronic or Magnetic Records)

Article 14-9-2 The measure specified by Cabinet Office Order, as provided in the following provisions, is any means of indicating the information that has been recorded in an electronic or magnetic record or the address (including the two-dimensional barcode or any alternative) of the website on which the information recorded in an electronic or magnetic record has been posted, on a written document or on a screen.

- (i) Article 111, paragraph (4) of the Act (including as applied mutatis mutandis pursuant to Article 199 and Article 272-17 of the Act);
- (ii) Article 271-25, paragraph (3) of the Act (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (1) of the Act); or
- (iii) Article 317, item (i)-2 of the Act.

(Electronic or Magnetic Means Referred to in Order for Enforcement of the Insurance Business Act)

Article 14-10 The types and details of the electronic or magnetic means to be presented pursuant to the provisions of Article 4-5, paragraph (1) or Article 4-6, paragraph (1) of the Cabinet Order are as follows:

- (i) from among the means stated in the following, the means to be used by the sender:
  - (a) among the methods using an electronic data processing system, the following methods:
    - 1. transmission of information via a telecommunications line that links the computer used by the sender to the computer used by the recipient, and recording it in a file stored on the computer used by the recipient; or
    - 2. giving the information recipient access to details of information recorded into a file stored on a computer used by the sender via a telecommunications line, and recording the information into a file stored on the computer used by the information recipient;
  - (b) delivery of the file storing information, which is prepared with any object enabling secure storage of certain information through magnetic disks or any other equivalent means;
- (ii) the format for recording information into files.

## **Chapter II Stock Company and Mutual Company Engaged in Insurance Business**

### **Section 1 Special Provisions for Stock Company Engaged in Insurance Business**

(Rights Exercisable by Shareholders on the Record Date)

Article 15 The rights to be specified by Cabinet Office Order, as provided Article 124, paragraph (2) (Record Date) of the Companies Act applied pursuant to the provisions of Article 11 of the Act following the deemed replacement of terms, are as follows:

- (i) right to receive distribution of dividend of surplus; and
- (ii) right to receive distribution of residual assets.

(Person Who Is Unable to Properly Perform Their Duties Due to Mental or Physical Disorder)

Article 15-2 The person specified by Cabinet Office Order, as provided in Article 12, paragraph (2) of the Act, is a person who is unable to appropriately carry out the cognition, decision-making, and communication necessary for properly performing their duties due to mental impairment.

(Reference Documents for Shareholders Meetings)

Article 15-3 (1) The reference documents for shareholders meetings (meaning reference documents for shareholders meetings as provided in Article 301, paragraph (1) (Giving of Reference Documents for Shareholders Meetings) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms; the same applies below in this Article) to be delivered pursuant to the provisions of Article 301, paragraph (1) or Article 302, paragraph (1) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms must be prepared in accordance with Appended Form No. 4.

(2) The delivery of reference documents for shareholders meetings implemented by a stock company engaged in insurance business, providing for the matters specified in Article 298, paragraph (1), items (iii) and (iv) (Determination of Calling a Shareholders Meeting) of the Companies Act (the relevant delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery), is the delivery of the reference documents for shareholders meetings referred to in Article 301, paragraph (1) or Article 302, paragraph (1) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms.

(3) A director may, in addition to a notice of calling (meaning a notice under Article 299, paragraph (2) or (3) (Notice of Calling of Shareholders Meetings) of the Companies Act; the same applies below in this Article and the following Article), notify the method of announcement of updated information to shareholders when there occurs any event requiring modification to any matter to be stated in the reference documents for shareholders meetings within the period between the day of dispatching the notice of calling and the day immediately prior to the date of the shareholders meeting.

(4) If, among the matters to be stated in the reference documents for shareholders meetings to be provided to shareholders in connection with the same shareholders meeting, there is any matter already included in any other document or any information to be provided by the electronic or magnetic means, those matters needs not be included in the reference documents for shareholders meetings to be provided to the shareholders. In this case, it must be specifically noted that there is any matter already stated in other document

or any information to be provided by the electronic or magnetic means.

- (5) If, among the matters to be included in the notice of calling to be sent to the shareholders or in the business report to be provided to shareholders pursuant to the provisions of Article 437 (Provision of Financial Statements to Shareholders) of the Companies Act in connection with the same shareholders meetings, there is any matter already stated in the reference documents for shareholders meetings, these matters need not be included in the notice of calling to be sent to the shareholders or in the business report to be provided to shareholders pursuant to the provisions of the same Article.
- (6) The matters concerning reference documents for shareholders meetings which are not provided for in this Cabinet Office Order are to be as prescribed in the Regulations for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006).

(Voting Forms)

- Article 16 (1) A voting form (meaning a voting form as provided in Article 301, paragraph (1) (Giving of Voting Forms) of the Companies Act; the same applies below in this Article) to be delivered pursuant to the provisions of the same paragraph, applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms, must be prepared in accordance with Appended Form No. 4-2.
- (2) If a stock company engaged in insurance business has prescribed any provisions on the matters specified in Article 63, item (iv), (a) (Decisions Related to Calling) of the Regulations for Enforcement of the Companies Act, it must, upon the request from the shareholder who has given an approval pursuant to the provisions of Article 299, paragraph (3) (Notice of Calling of Shareholders Meetings) of the Companies Act, deliver to the shareholder a voting form pursuant to Article 301, paragraph (1) of the Companies Act as applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms (the relevant delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery pursuant to the provisions of Article 301, paragraph (2) of the Companies Act).
- (3) If there are provisions concerning the matters stated in Article 63, item (iv), (c) of the Regulations for Enforcement of the Companies Act, a stock company engaged in insurance business must take the measures for electronic provision provided in Article 325-2 (Provisions in the Articles of Incorporation to the Effect that Measures for Electronic Provision Will be Taken) of the Companies Act with respect to information related to the matters to be contained in a voting form (limited to the matters related to the relevant shareholder), at the time when a demand has been made by a shareholder who has given consent

referred to in Article 299, paragraph (3) of that Act; provided, however, that this does not apply to the cases where the company delivers to the shareholder a voting form under Article 325-3, paragraph (2) (Measures for Electronic Provision) of that Act.

- (4) If, among the matters to be contained in the notice of calling to be sent to shareholders in connection with the same shareholders meeting, there is any matter already stated in the voting form, that matter need not be contained in the notice of calling.
- (5) If, among the matters to be contained in the voting form (limited to the matters specified in items 3 to 5 of Appended Form No. 4-2 (Points in Attention Concerning Preparation of Document)) to be provided to shareholders in connection with the same shareholders meeting, there is any matter already stated in the notice of calling, that matter need not be contained in the voting form.

#### (Preparation of Accounting Books)

Article 17 (1) The accounting books to be prepared by a stock company engaged in insurance business pursuant to the provisions of Article 432, paragraph (1) (Preparation and Retention of Account Books) of the Companies Act, applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms, must be prepared by written documents or electronic or magnetic records.

- (2) The matters concerning accounting books not provided for in this Cabinet Office Order are to be as prescribed in the Rules of Corporate Accounting (Ministry of Justice Order No. 13 of 2006; referred to below as the "Rules of Accounting").

#### (Goodwill)

Article 17-2 A stock company engaged in insurance business may, when it implements absorption-type corporate restructuring (meaning absorption-type corporate restructuring as provided in Article 2, paragraph (3), item (xxxvii) (Definitions) of the Rules of Accounting; the same applies in Article 19-3, paragraph (1), item (v) and Article 19-3, paragraph (2), item (xi)), incorporation-type corporate restructuring (meaning incorporation-type corporate restructuring as provided in Article 2, paragraph (3), item (xlv) of the Rules of Accounting) or acquisition of business (including the case where the stock company becomes a transferee company (meaning the transferee company as provided in Article 135, paragraph (1) of the Act); the same applies in Article 24-7), it may record appropriate amount of goodwill as its assets or liabilities.

### Article 17-3 Deleted

#### (Balance Sheet as of Date of Incorporation)

Article 17-4 The balance sheet to be prepared pursuant to the provisions of Article 435, paragraph (1) (Preparation and Retention of Financial Statements) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms must be prepared on the basis of the accounting books as of the date of incorporation of the stock company engaged in insurance business.

#### (Financial Statement for Each Business Year)

Article 17-5 (1) The statement to be specified by Cabinet Office Order, as provided in Article 435, paragraph (2) (Preparation and Retention of Financial Statements) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms is a statement of changes in shareholders' equity to be prepared in accordance with the following paragraph and paragraph (3).

(2) The financial statements (meaning the financial statements provided in Article 435, paragraph (2) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms; the same applies below in this Section) and business report for each business year as well as supplementary schedules thereto, which are to be prepared in accordance with the same paragraph must be prepared in accordance with Appended Form No. 7 (or Appended Form No. 16-17, in the case of a small amount and short term insurer; or Appended Form No. 7-2, in the case of an insurance company which has established the specified transaction account as provided in Article 53-6-2, paragraph (1) (referred to below as a "company with specified transaction account")).

(3) Regarding the preparation of financial statements, business report and supplementary schedules thereto, the matters not provided for in this Cabinet Office Order are to be as prescribed in the Regulations for Enforcement of the Companies Act and in the Rules of Accounting.

#### (Audit of Financial Statements)

Article 17-6 The audit of the financial statements and business report for each business year as well as their supplementary schedules , as referred to in Article 436, paragraphs (1) and (2) (Audit of Financial Statements) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms is to be as prescribed in the following Article.

(Details of Audit Report)

- Article 17-7 (1) An accounting audit report to be prepared by a financial auditor must be prepared in accordance with Appended Form No. 1 (or Appended Form No. 1-5, in the case of a small amount and short term insurer); and an audit report to be prepared by a company auditor, board of company auditors, audit and supervisory committee or audit committee must be prepared in accordance with Appended Forms No. 1-2 to 1-4, respectively (or Appended Forms No. 1-6 to 1-8, respectively, in the case of a small amount and short term insurer).
- (2) Regarding the audit of financial statements, business reports and supplementary schedules thereto, the matters not provided for in this Cabinet Office Order are to be as prescribed in the Regulations for Enforcement of the Companies Act and in the Rules of Accounting.

(Requirement for Application of Special Provisions for Approval of Financial Statements)

Article 17-8 The requirement to be specified by Cabinet Office Order, as provided in Article 439 (Special Provisions on Companies with Financial Auditors) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms is to fall under all of the following items (item (iii) is excluded, in the case of a stock company engaged in insurance business which is a company with auditors (meaning a stock company or mutual company with auditors; the same applies below) but not a company with board of company auditors (meaning a stock company or mutual company with board of company auditors; the same applies below)):

- (i) that the financial audit report for the financial statements as provided in Article 439 of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms contains an unqualified opinion (meaning an opinion to the effect that the audited financial statements are found to adequately reflect any and all material aspects regarding the status of properties and profits and losses for the period covered by the financial statements, in terms of the corporate accounting criteria that are generally accepted as fair and appropriate);
- (ii) that no opinion is expressed, finding that the methods or results of the audits performed by the financial auditor to be inappropriate in terms of the details of the audit report (in the case of a company with board of company auditors, limited to an audit report prepared by the board of company auditors in accordance with paragraph (1) of the preceding Article) of company auditors, board of company auditors, audit and supervisory committee or audit committee related to the accounting audit report referred to in the preceding item;
- (iii) that the details noted in the audit report of board of company auditors,

audit and supervisory committee or audit committee, which relates to the accounting audit report as provided in item (i) (meaning the details of the audit report by company auditors (meaning the audit report by company auditors as provided in Article 128, paragraph (1) (Details of Audit Report of Board of Company Auditors of Company with Financial Auditors) of the Rules of Accounting; the same applies below in this item) of each company auditor which are to be noted when the details of the audit report by board of company auditors (meaning the audit report by board of company auditors as provided in the same paragraph) differ from the details of the audit report by company auditors; an opinion of an audit and supervisory committee member (meaning an audit and supervisory committee member as provided in Article 2, paragraph (19) of the Act; the same applies below) to be noted when details of the audit report of the audit and supervisory committee differ from the opinion of the audit and supervisory committee member; or an opinion of an audit committee member (meaning an audit committee member as provided in the same paragraph; the same applies below) to be noted when the details of the audit report of the auditing committee differ from the opinion of the audit committee member) is not the opinion as referred to in the preceding item;

- (iv) that the financial statements as provided in Article 439 of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms are not deemed to have been audited pursuant to the provisions of Article 132, paragraph (3) of the Rules of Accounting (Limitation on Period of Notification of Audit Report by Company Auditors of Company with Financial Auditors).

#### (Public Notices of Financial Statements)

Article 17-9 (1) When a stock company engaged in insurance business gives public notice under Article 440, paragraph (1) (Public Notice of Financial Statements) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms (including a measure under paragraph (3) of the same Article; the same applies below in this paragraph), it must clearly indicate the following matters in the public notice. In this case, the matters listed in items (i) through (vii) are to be limited to the notes for the relevant business year:

- (i) notes on going concern assumption;
- (ii) notes on significant account policies;
- (iii) notes on balance sheet;
- (iv) notes on tax effect accounting;
- (v) notes on transactions with related parties (meaning related parties as provided in Article 112, paragraph (4) (Notes on Transactions with Related

- Parties) of the Rules of Accounting);
  - (vi) notes on information per share;
  - (vii) notes on significant post-balance sheet events; and
  - (viii) the amount of net income or net loss for the period.
- (2) For the purpose of application of the provisions of the preceding paragraph when a stock company engaged in insurance business gives public notice of its profit and loss statement pursuant to the provisions of Article 440, paragraph (1) of the Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms, the term "following" in the same paragraph is deemed to be replaced with "items (i) through (vii)".
- (3) The provisions of the preceding paragraph apply mutatis mutandis to the case where a stock company engaged in insurance business implements a measure provided in Article 440, paragraph (3) of the Companies Act, in connection with information contained in the profit and loss statement.

(Format of Summary of Financial Statements)

Article 17-10 When, pursuant to the provisions of Article 440, paragraph (2) (Public Notice of Financial Statements) of the Companies Act, a stock company engaged in insurance business gives public notice of summary of the balance sheet and profit and loss statement, the summary must be prepared in accordance with Appended Form No. 2 (or Appended Form No. 2-3, in the case of a small amount and short term insurer; or Appended Form No. 2-2, in the case of a company with specified transaction account).

(Recording of Reserves under Article 15 of the Insurance Business Act)

Article 17-11 (1) When a stock company engaged in insurance business distributes dividend of surplus, the amount of capital reserve after the distribution of dividend of surplus is the amount of capital reserve as of the time immediately prior to the distribution of dividend of surplus, plus the amount prescribed in the following items in accordance with the categories respectively stated in those items:

- (i) if the amount of the reserves (meaning the reserves as provided in Article 15 of the Act; the same applies below in this Section) as of the day of distribution of dividend of the surplus is not less than the amount of stated capital as of the relevant day: zero;
- (ii) if the amount of the reserves as of the day of distribution of the dividend of surplus is less than the amount of stated capital as of the relevant day: the smaller of the amount specified in (a) or (b), multiplied by the capital surplus dividend ratio (meaning the ratio obtained by dividing the amount specified in (a), item (i) of the following Article by the amount specified in Article 446, item (vi) (Amount of Surplus) of the Companies Act):

- (a) the maximum amount of reserves (meaning the amount of stated capital less the amount of reserve; the same applies below in this Article), as of the day of distribution of dividend of surplus; or
  - (b) the amount stated in Article 446, item (vi) of the Companies Act, multiplied by one-fifth.
- (2) when a stock company engaged in insurance business distributes dividend of surplus, the amount of retained earnings reserve after the distribution of dividend of surplus is the amount of retained earnings reserve as of the time immediately prior to the distribution of dividend of the surplus, plus the amount prescribed in the following items in accordance with the categories respectively stated in those items:
- (i) if the amount of the reserves as of the day of distribution of dividend of surplus is not less than the amount of stated capital as of the relevant day: zero;
  - (ii) if the amount of the reserves as of the day of distribution of dividend of surplus is less than the amount of stated capital as of the relevant day: the smaller of the amount specified in (a) or (b), multiplied by the earning surplus dividend ratio (meaning the ratio obtained by dividing the amount stated in (a), item (ii) of the following Article by the amount stated in Article 446, item (vi) of the Companies Act):
    - (a) the maximum amount of reserves as of the day of the distribution of dividend of surplus; or
    - (b) the amount stated in Article 446, item (vi) of the Companies Act, multiplied by one-fifth.

(Amount of Surplus to Be Reduced)

Article 17-12 When a stock company engaged in insurance business distributes dividend of surplus, the amounts after distribution of dividend of surplus as specified in the following items are the amount deducted the amount respectively stated in those items from the relevant amount as of the time immediately prior to the relevant distribution of dividend of surplus:

- (i) the amount of other capital surplus: total of the following amounts:
  - (a) the amount stated in Article 446, item (vi) (Amount of Surplus) of the Companies Act, which is determined by the stock company engaged in insurance business to be reduced from the amount of other capital surplus; and
  - (b) the amount stated in paragraph (1), item (ii) of the preceding Article, when such item is applicable;
- (ii) the amount of other retained earnings: total of the following amounts:
  - (a) the amount stated in Article 446, item (vi) of the Companies Act, which is determined by the stock company engaged in insurance business to be

- reduced from the amount of other retained earnings; and
- (b) the amount stated in item (ii), paragraph (2) of the preceding Article, when such item is applicable.

(Keeping of Documents Concerning Reduction in Amount of Stated Capital)

Article 17-13 The matters to be specified by Cabinet Office Order, as provided in Article 16, paragraph (1) of the Act, are as follows:

- (i) the item on the agenda regarding reduction in amount of stated capital, etc. (meaning the stated capital or reserve; the same applies in Article 17-16); and
- (ii) a balance sheet.

(Amount of Deficit)

Article 17-14 The method to be specified by Cabinet Office Order, as provided in Article 16, paragraph (1), item (ii) of the Act, is the method whereby the higher of the amounts specified in the following items is treated as the amount of deficit:

- (i) zero; or
- (ii) zero, less the distributable amount (meaning the distributable amount as provided in Article 461, paragraph (2) (Restriction on Dividends) of the Companies Act).

(Matters Related to Financial Statements)

Article 17-15 The matters to be specified by Cabinet Office Order, as provided in Article 17, paragraph (2) of the Act, are the matters prescribed in the following items, in accordance with the categories of the cases applicable as of the date of public notice under the same paragraph:

- (i) if a notifying company (meaning a stock company referred to in Article 17, paragraph (2), item (ii) of the Act; the same applies below in this Article) has given a public notice under Article 440 paragraph (1) or (2) (Public Notice of Financial Statements) applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms of its balance sheet for the most recent business year (in the case of a stock company, it means a most recent business year as provided in Article 2, item (xxiv) (Definitions) of the Companies Act; or, in the case of a mutual company, it means the most recent business year regarding which an approval under Article 54-6, paragraph (2) of the Act (if paragraph (4) of the same Article is applicable, meaning an approval under Article 54-4, paragraph (3) of the Act) is granted in relation to the financial statements as provided in Article 54-3, paragraph (2) of the Act; and the same applies below): the following information:
  - (a) when the public notice is given by publication on a daily newspaper

- featuring news on current events, the name and date of the newspaper, and the page number on which the public notice has been published; or
- (b) when the public notice is given in the form of an electronic public notice, the matters stated in Article 911, paragraph (3), item (xxviii), (a) (Registration of Incorporation of a Stock Company) of the Companies Act;
- (ii) if, in regard to the balance sheet for the most recent business year, the notifying company has implemented the measures provided in Article 440, paragraph (3) of the Companies Act: the matters listed in Article 911, paragraph (3), item (xxvi) of the Companies Act;
- (iii) if the notifying company is a stock company as provided in Article 440, paragraph (4) of the Companies Act, and where it has submitted the annual securities report for the most recent business year pursuant to the provisions of Article 24, paragraph (1) (Submission of Annual Reports) of the Financial Instruments and Exchange Act: that fact;
- (iv) if, pursuant to the provisions of Article 28 (Exclusion from Application of Provisions Pertaining to Public Notice of Financial Statements) of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (Act No. 87 of 2005), the notifying company is exempted from application of Article 440 of the Companies Act: that fact;
- (v) if there is no most recent business year of the notifying company: that fact;
- (vi) in cases other than those stated in the preceding items: the details of the summary of the balance sheet for the most recent business year prepared in accordance with Article 17-10.

(Public Notice of Reduction in Amount of Stated Capital)

Article 17-16 The matter to be specified by Cabinet Office Order, as provided in Article 17, paragraph (2), item (iv) of the Act, is the reason for reduction in the amount of stated capital, etc.

(Amount of Claim Under Insurance Contract)

Article 18 The amount to be specified by Cabinet Office Order, as provided in Article 17, paragraph (6) of the Act, is as follows: the amount stated in item (i), in the case of a life insurance company; the total of the amounts stated in items (ii) and (iii), in the case of a non-life insurance company; and the amount stated in item (ii), in the case of a small amount and short term insurer:

- (i) the amount to be set aside for the insured, as of the time of the public notice under Article 17, paragraph (2) of the Act (referred to below as the "public notice" in this Article);
- (ii) the amount of the insurance premiums corresponding to the unexpired period (meaning the insurance period provided for in an insurance contract, outstanding as of the time of the public notice); and

- (iii) the amount to be set aside as the refund reserve referred to in Article 70, paragraph (1), item (iii), as of the time of the public notice.

(Application for Authorization of Reduction in Amount of Stated Capital)

Article 19 (1) If a stock company engaged in insurance business seeks to obtain an authorization under Article 17-2, paragraph (3) of the Act, it must submit to the Commissioner of the Financial Services Agency, Director-General of Local Finance Bureau or Director-General of the Fukuoka Local Finance Branch Bureau (collectively referred to below as the "Commissioner of the Financial Services Agency or other competent official") a written application for authorization, attaching the following documents:

- (i) a written statement of reasons;
- (ii) a document specifying the method of reduction in the amount of stated capital;
- (iii) the minutes of shareholders meetings, or any other documents certifying that necessary procedures have been followed;
- (iv) a balance sheet;
- (v) a document certifying that the public notice under Article 17, paragraph (2) of the Act has been given;
- (vi) if any policyholder or any other creditor has raised an objection under Article 17, paragraph (4) of the Act, a document certifying the fact that the payment has been made or reasonable security has been provided to the policyholder or any other creditor, or reasonable property has been deposited in trust with a trust company, etc. (collectively meaning a trust company (meaning a trust company as provided in Article 2, paragraph (2) (Definitions) of the Trust Business Act (Act No. 154 of 2004); the same applies in Article 52-14, item (i), Article 52-23, paragraph (4) and Article 208, paragraph (2), item (i)) and a financial institution engaged in a Trust Business (meaning a financial institution authorized under Article 1, paragraph (1) (Authorization for Engagement in Trust Business by Financial Institutions) of the Act on Engagement in Trust Business by Financial Institutions; the same applies in Article 211-28, item (iii)); the same applies below) for the purpose of having the policyholder or other creditor receive the payment, or that the reduction in the amount of the stated capital bears no risk of detriment to the policyholder or other creditor;
- (vii) a document certifying that the number of policyholders who raised objections under Article 17, paragraph (6) of the Act did not exceed one-fifth of the total number of policyholders as provided in the same paragraph; or a document certifying that the amount related to those policyholders as referred to in the preceding Article did not exceed one-fifth of the total of the amount referred to in the same paragraph;

- (viii) when a share certificate-issuing company implements consolidation of shares, a document certifying that the public notice has been given pursuant to the provisions of the main clause of Article 219, paragraph (1) (Public Notice in Relation to Submission of Share Certificate) of the Companies Act, or a document certifying that the companies has issued no share certificate representing its shares;
  - (ix) a document containing any other matters which would serve as reference information.
- (2) When an application for the authorization under the preceding paragraph is filed, the Commissioner of the Financial Services Agency or other competent official is to examine whether the application conforms the following standards:
- (i) that any inevitable ground is found for the stock company engaged in insurance business which has filed the application for authorization (referred to below as "applicant insurance company, etc." in this paragraph) to implement the reduction in the amount of stated capital for which the authorization is filed;
  - (ii) that the amount of stated capital of the applicant insurance company, etc. is not less than the amount provided in Article 2-2 of the Cabinet Order (or Article 38-3 of the Cabinet Order, if the applicant insurance company, etc. is a small amount and short term insurer), and that the amount is sufficient for implementing its business in a sound and efficient manner, even after the reduction in the amount of stated capital; and
  - (iii) that the applicant insurance company, etc. is expected to demonstrate sound income and expenditure results, even after reduction in its amount of stated capital.

(Matters to Be Stated in Preserved Documents Related to Reduction in Amount of Stated Capital)

Article 19-2 The matters to be specified by Cabinet Office Order, as provided in Article 17-4, paragraph (1) of the Act, are as follows:

- (i) the procedures as provided in Article 17 of the Act;
- (ii) the status of public notice under Article 17, paragraph (2) of the Act; and
- (iii) the registration date of the reduction in the amount of stated capital.

(Deductible Amount Accrued After Last Day of the Most Recent Business Year)

Article 19-3 (1) The total of the amount recorded in the accounting items to be specified in Cabinet Office Order, as provided in Article 446, item (vii) (Amounts of Surplus) of the Companies Act applied pursuant to the provisions of Article 17-6, paragraph (3) of the Act following the deemed replacement of terms, is the total of the amounts stated in the items (i) through (iv), less the

total of the amounts stated in items (v) through (viii):

- (i) the amount of reduction, if, after the last day of the most recent business year, the amount of surplus is reduced and the amount of stated capital or reserve is increased;
- (ii) the amount stated in Article 17-12, item (i), (b) and item (ii), (b), if the dividend of surplus is distributed after the last day of the most recent business year;
- (iii) the amount stated in Article 446, item (ii) of the Companies Act which relates to the treasury shares to be disposed by a stock company engaged in insurance business after the last day of its most recent business year, upon the assumption of absorption-type corporate restructuring (meaning the assumption of absorption-type corporate restructuring as provided in Article 2, paragraph (3), item (xxxviii) (Definitions) of the Rules of Accounting; the same applies below in this Article and Article 19-4);
- (iv) the amount of reduction, when, after the last day of the most recent business year, the stock company engaged in insurance business reduces the amount of surplus upon the absorption-type company split or incorporation-type company split whereby the stock company is the company splitting in the absorption-type split (meaning the company splitting in the absorption-type split as provided in Article 758, item (i) (Absorption-Type Company Split Agreement Which Causes a Stock Company to Succeed to Rights and Obligations) of the Companies Act; the same applies in item (v) of the following paragraph) or a company splitting in the incorporation-type split (meaning a company splitting in the incorporation-type split as provided in Article 763, item (v) (Incorporation-Type Company Split Plan by Which a Stock Company Is Incorporated) of the Companies Act; the same applies in item (v) of the following paragraph);
- (v) the total of the following amounts related to the assumption of absorption-type corporate restructuring, when, after the last day of the most recent business year, a stock company engaged in insurance business implements the assumption of absorption-type corporate restructuring:
  - (a) the amount of any other capital surplus of the stock company engaged in insurance business, as of the time after the implementation of the absorption-type corporate restructuring, less the amount of any other capital surplus of the stock company engaged in insurance business, as of the time immediately prior to the implementation of the absorption-type corporate restructuring;
  - (b) the amount of any other retained earnings of the stock company engaged in insurance business, as of the time after the implementation of the absorption-type corporate restructuring, less the amount of any other retained earnings of the stock company engaged in insurance business, as

- of the time immediately prior to the implementation of the absorption-type corporate restructuring;
- (vi) the amount of any other capital surplus increased after the last day of the most recent business year, pursuant to the provisions of Article 21 (Case of Performance of Obligations Incidental to Delivery of Shares Upon or After Incorporation) or Article 45-4-2 of the Rules of Accounting;
  - (vii) the amount of any other capital surplus increased or decreased after the last day of the most recent business year, pursuant to the provisions of Article 42-2, paragraph (5), item (i) (Amount of Change in Shareholders' Equity When Director, Etc. Provide Service to Stock Company in Consideration for Shares for Subscription in Course of Execution of Duties After Allotment Date) of the Rules of Accounting; and
  - (viii) the amount of treasury shares increased after the last day of the most recent business year, pursuant to the provisions of Article 42-2, paragraph (7) of the Rules of Accounting.
- (2) Notwithstanding the provisions of the preceding paragraph, regarding the stock company engaged in insurance business which does not have the most recent business year, the total of the amount recorded in the accounting items to be specified by Cabinet Office Order, as provided in Article 446, item (vii) of the Companies Act applied pursuant to the provisions of Article 17-6, paragraph (3) of the Act following the deemed replacement of terms, is the total of the amounts stated in items (i) through (v), less the total of the amounts stated in items (vi) through (xiv):
- (i) the book value of the treasury shares, when the treasury shares are cancelled after the incorporation date (in the case of a company which, pursuant to the provisions of the laws and regulations other than the Companies Act, became a stock company engaged in insurance business, meaning the day when the stock company engaged in insurance business became a stock company; the same applies below in this paragraph) pursuant to the provisions of Article 178, paragraph (1) (Cancellation of Shares) of the Companies Act;
  - (ii) the amount stated in Article 446, item (vi) of the Companies Act which relates to the distribution of dividend of surplus, when the dividend of surplus is distributed after the incorporation date;
  - (iii) the amount of reduction, when the amount of surplus is reduced and the amount of stated capital or reserve is increased after the incorporation date;
  - (iv) the amount stated in Article 17-12, item (i), (b) and item (ii), item (b), when the dividend of surplus is distributed after the incorporation date;
  - (v) the amount of reduction, when, after the incorporation date, the stock company engaged in insurance business reduces the amount of surplus upon the absorption-type company split or incorporation-type company split

- whereby it becomes the company splitting in the absorption-type split or company splitting in the incorporation-type split;
- (vi) the amount of any other capital surplus as of the incorporation date;
  - (vii) the amount of any other retained earnings as of the incorporation date;
  - (viii) the amount of consideration for the treasury shares, when the treasury shares are disposed after the incorporation date (excluding the cases of disposition of treasury shares upon assumption of absorption-type corporate restructuring), less the book value of the treasury shares;
  - (ix) the amount of reduction, when the amount of stated capital is reduced after the incorporation date (excluding the amount referred to in Article 447, paragraph (1), item (ii) (Reductions in Amount of Stated Capital) of the Companies Act);
  - (x) the amount of reduction, when the amount of reserves is reduced after the incorporation date (excluding the amount referred to in Article 448, paragraph (1), item (ii) (Reductions in Amount of Reserves) of the Companies Act);
  - (xi) the total of the following amounts related to the assumption of absorption-type corporate restructuring, when the stock company engaged in insurance business implements the assumption of absorption-type corporate restructuring after the incorporation date:
    - (a) the amount of any other capital surplus of the stock company engaged in insurance business, as of the time after the implementation of the absorption-type corporate restructuring, less the amount of any other capital surplus of the stock company engaged in insurance business, as of the time immediately prior to the implementation of the absorption-type corporate restructuring;
    - (b) the amount of any other retained earnings of the stock company engaged in insurance business, as of the time after the implementation of the absorption-type corporate restructuring, less the amount of any other retained earnings of the stock company engaged in insurance business, as of the time immediately prior to the implementation of the absorption-type corporate restructuring;
  - (xii) the amount of any other capital surplus increased after the incorporation date pursuant to the provisions of Article 21 of the Rules of Accounting; or the amount of any other surplus increased after the effective date (meaning an effective date as provided in Article 86, paragraph (4), item (xii) of the Act) pursuant to the provisions of Article 45-4-2;
  - (xiii) the amount of any other capital surplus increased or decreased after the incorporation date pursuant to the provisions of Article 42-2, paragraph (5), item (i) of the Rules of Accounting; and
  - (xiv) the amount of treasury shares increased after the incorporation date

pursuant to the provisions of Article 42-2, paragraph (7) of the Rules of Accounting.

- (3) When, after the last day of the most recent business year, any membership company becomes a stock company engaged in insurance business, the total of the amount of other capital surplus and other retained earnings of the stock company engaged in insurance business, as of the day when it became a stock company engaged in insurance business, is deemed as the amount of surplus as of the last day of the most recent business year.

(Amount of Profits in Relation to Provisional Financial Statements)

Article 19-3-2 The amount recorded in each accounting items to be specified by Cabinet Office Order, as provided in Article 461, paragraph (2), item (ii), (a) (Restriction on Dividends) of the Companies Act applied pursuant to the provisions of Article 17-6, paragraph (3) of the Act following the deemed replacement of terms, is the amount of net income or net loss for the period (limited to the amount not less than zero) recorded in the profit and loss statement contained in the provisional financial statements (meaning the provisional financial statements as provided in Article 441, paragraph (1) (Provisional Financial Statements) of the Companies Act; the same applies in item (v) of the following Article).

(Other Amounts to Be Reduced)

Article 19-4 The total of the amounts recorded in each of the accounting items to be specified by Cabinet Office Order, as provided in Article 461, paragraph (2), item (vi) (Reduction on Dividends) of the Companies Act applied pursuant to the provisions of Article 17-6, paragraph (3) of the Act following the deemed replacement of terms, is the total of the amounts stated in items (i) through (vii), less the total of the amounts stated in items (viii) and (ix):

- (i) when the goodwill, etc. adjustment amount (meaning the amount of goodwill recorded on the asset section divided by two, plus the amount recorded as deferred assets; the same applies below in this item and item (iv)) as of the last day (or the date of incorporation, if there is no most recent business year (excluding the case provided in Article 461, paragraph (2), item (ii) of the Companies Act); the same applies below in this item to item (iii), item (vii), (a) and (b) and item (viii)) of the most recent business year (or, if provided in Article 461, paragraph (2), item (ii) of the Companies Act applies, meaning the period as specified in Article 441, paragraph (1), item (i) (Provisional Financial Statements) of that Act (if there are two or more of those periods, the period the last day of which comes the latest); the same applies below in this item to item (iii), item (vii), (a) and (b) and item (viii)) falls under the cases stated in any of (a) through (c) below, the amount respectively specified

in (a) through (c):

- (a) in cases where the goodwill, etc. adjustment amount is not more than the amount of stated capital, etc. (meaning the total amount of stated capital and reserves as of the last day of the most recent business year; the same applies below in this item): zero;
- (b) when the goodwill, etc. adjustment amount is not more than the total of the amount of stated capital, etc. and other capital surplus as of the last day of the most recent business year (excluding the cases stated in item (a)): the amount of goodwill, etc. adjustment amount, less the amount of stated capital, etc.;
- (c) when the goodwill, etc. adjustment amount exceeds the total of the amount of stated capital, etc. and other capital surplus as of the last day of the most recent business year: the amount specified in the following items, in accordance with the categories of the cases as respectively stated in those items:
  - 1. when the amount obtained by dividing the goodwill amount as of the last day of the most recent business year by two is not more than the total of the amount of stated capital, etc. and the other capital surplus as of the last day of the most recent business year: the amount of goodwill, etc. adjustment amount, less the amount of stated capital, etc.;
  - 2. when the amount obtained by dividing the goodwill amount as of the last day of the most recent business year by two exceeds the total of the amount of stated capital, etc. and the other capital surplus as of the last day of the most recent business year: the total of the amount of the other capital surplus as of the last day of the most recent business year and the amount recorded as deferred assets;
- (ii) zero, minus the amount recorded in the items of the valuation difference on available-for-sale securities in the balance sheet as of the last day of the most recent business year (or zero, if the amount is zero or more);
- (iii) zero, minus the amount recorded in the items of the land revaluation difference contained in the balance sheet as of the last day of the most recent business year (or zero, if the amount is zero or more);
- (iv) when the stock company engaged in insurance business falls under the category of the company subject to restriction of consolidated dividends (meaning a company subject to restriction of consolidated dividends as provided in Article 2, paragraph (3), item (lv) (Definitions) of the Rules of Accounting) (limited to the case where the specific business year referred to in the same item is the most recent business year), the amount stated in (a) below, less the total of the amounts stated in (b) and (c) (or zero, if the amount is zero or more):
  - (a) the total of the amount stated in 1. through 3. below contained in the

balance sheet as of the last day of the latest business year, less the amount stated in 4. below:

1. the amount of shareholders' equity;
2. any other amount recorded in the item of valuation difference on available-for-sale securities (or zero, if the amount is zero or more);
3. the amount recorded in the item of land revaluation difference (or zero, if the amount is zero or more); and
4. the goodwill, etc. adjustment amount (when the goodwill, etc. adjustment amount exceeds the total of the amounts of stated capital, capital surplus and retained earning reserves, the total of the amounts of stated capital, capital surplus and the retained earning reserves);

(b) when, after the last day of the most recent business year, the shares in the stock company engaged in insurance business are acquired from the subsidiary company (meaning the subsidiary company as provided in Article 2, item (iii) (Definitions) of the Companies Act; the same applies below in this item), the book value immediately before the acquisition, which corresponds to the portion of equity in the subsidiary company held by the stock company engaged in insurance business;

(c) the total of the amounts stated in 1. through 3., less the amount stated in 4. below, as stated in the consolidated balance sheet (including the relevant notes; the same applies below) as of the last day of the most recent business year:

1. the amount of shareholders' equity;
2. the amount recorded in the item of valuation difference on available-for-sale securities (or zero, if the amount is zero or more);
3. the amount recorded in the item of land revaluation difference (or zero, if the amount is zero or more); and
4. the goodwill, etc. adjustment amount (when the goodwill, etc. adjustment amount exceeds the total of the amounts of stated capital and capital surplus, the total of the amounts of stated capital and capital surplus);

(v) the amount stated in Article 461, paragraph (2), item (ii) of the Companies Act which relates to the provisional financial statements except for the latest provisional financial statements, in the cases where two or more provisional financial statements are prepared after the last day of the most recent business year (or after the date of incorporation, if there is no most recent business year; the same applies in the following item and item (ix)) (excluding the amount specified in (b) of the same item which relates to the treasury shares disposed upon the assumption of absorption-type corporate restructuring and specified solicitation (meaning the solicitation referred to in (b), when all of the following requirements are met; the same applies

below in this Article)), less the amount stated in item (v) of the same paragraph:

- (a) that the shares in the stock company engaged in insurance business are acquired after the last day of the most recent business year, pursuant to the provisions of Article 173, paragraph (1) (Effectuation) of the Companies Act (limited to the acquisition of shares, when, upon acquisition, only the properties paid or contributed to the stock company engaged in insurance business through the solicitation under (b) will be delivered to the shareholders);
- (b) that, pursuant to the provisions of Part II, Chapter II, Section 8 of the Companies Act (Issuing Shares for Subscription), solicitation for subscribers of all or part of the shares referred to in (a) (when any condition of the shares acquired is to be modified upon the acquisition, the shares with the modified conditions) is performed;
- (c) that the date referred to in Article 171, paragraph (1), item (iii) (Determinations Regarding Acquisition of Shares Subject to Class-Wide Call) of the Companies Act which relates to the share acquisition referred to in (a) and the date referred to in Article 199, paragraph (1), item (iv) (Determination of Subscription Requirements) of that Act which relates to the solicitation under (b) are the same;
- (vi) the amount stated in Article 461, paragraph (2), item (ii), (b) of the Companies Act which relates to the treasury shares disposed after the last day of the most recent business year, upon the assumption of absorption-type corporate restructuring or specified solicitation;
- (vii) the total of the amounts stated in the following items:
  - (a) the amount of any other capital surplus increased after the last day of the most recent business year, pursuant to the provisions of Article 21 (When Obligations Concerning the Delivery of Shares at the Time of Incorporation or after Formation Have Been Performed) or Article 45-4-2 of the Rules of Accounting;
  - (b) the amount of any other capital surplus increased or decreased after the last day of the most recent business year, pursuant to the provisions of Article 42-2, paragraph (5), item (i) (Amount of Change in Shareholders' Equity When Director, Etc. Provide Service to Stock Company in Consideration for Shares for Subscription in Course of Execution of Duties After Allotment Date) of the Rules of Accounting; and
  - (c) the amount of consideration for the treasury shares, when, after the incorporation date, the stock company engaged in insurance business which has no most recent business year disposes its treasury shares;
- (viii) the book value of the acquired shares less the total of the following amounts, if, after the last day of the most recent business year, the stock

company engaged in insurance business has acquired the shares in the stock company engaged in insurance business (limited to cases other than those stated in Article 155, item (xii) (General Provisions) of the Companies Act, and where the shares in the stock company engaged in insurance business are to be delivered to the shareholders in exchange for acquisition of the shares):

- (a) the book value of the properties of the stock company engaged in insurance business other than its shares (the properties exclude the Corporate Bonds, etc. (collectively meaning corporate bonds and share options, and excluding its own bonds and own share options; the same applies in (b))), which are to be delivered to the shareholders of the shares acquired upon the acquisition;
- (b) the book value to be posted to the Corporate Bonds, etc. of the stock company engaged in insurance business, which are to be delivered to the shareholders of the shares acquired upon the acquisition; and
- (ix) the amount stated in Article 461, paragraph (2), item (iv) of the Companies Act (or item (vii), if the company has no most recent business year) which relates to the treasury shares disposed after the last day of the most recent business year by the stock company engaged in insurance business, upon the assumption of absorption-type corporate restructuring or specified solicitation.

## **Section 2 Mutual Company**

### **Subsection 1 Organs**

(Incorporation Expenses)

Article 20 The expenses to be specified by Cabinet Office Order, as provided in Article 24, paragraph (1), item (iii) of the Act are as follows:

- (i) stamp duty imposed in relation to articles of incorporation;
- (ii) fees and compensation payable to a bank, etc. (meaning a bank, etc. as provided in Article 28, paragraph (1), item (iii) of the Act) which handled the affairs related to payment of money, in connection with the fund contribution to be solicited upon the incorporation; and
- (iii) compensation payable to inspectors determined pursuant to the provisions of Article 33, paragraph (3) (Appointment of Inspector of Information Specified or Recorded in the Articles of Incorporation) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2) of the Act; and
- (iv) registration tax required for registration of incorporation of a mutual company.

(Securities with Market Price Exempted from the Requirement of Investigation by Inspector)

Article 20-2 The method to be specified by Cabinet Office Order, as provided in Article 33, paragraph (10), item (ii) (Appointment of Inspector of Information Specified or Recorded in the Articles of Incorporation) of the Companies Act applied mutatis mutandis pursuant to Article 24, paragraph (2) of the Act following the deemed replacement of terms, is the method whereby the higher of the following amounts is treated as the price of securities provided in Article 33, paragraph (10), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2) of the Act following the deemed replacement of terms:

- (i) the closing price of the securities at the market where those securities are traded, as of the day of certification referred to in Article 30, paragraph (1) (Certification of Articles of Incorporation) of the Companies Act as applied mutatis mutandis pursuant to Article 23, paragraph (4) of the Act (if no sale and purchase transaction was conducted on the relevant day, or where the relevant day falls on a non-business day of the market, the contract price of the sale and purchase transaction effected for the first time after the relevant day); or
- (ii) when, as of the day of the certification as provided in Article 30, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 23, paragraph (4) of the Act, the securities are the target of a tender offer, etc. (meaning the tender offer as provided in Article 27-2, paragraph (6) of the Financial Instruments and Exchange Act (including as applied mutatis mutandis pursuant to Article 272-22-2, paragraph (2) of the same Article) as well as any equivalent system under the laws and regulations of foreign states; the same applies below), the price of those securities as of the relevant day provided for in the contract related to the tender offer, etc.

(Banks)

Article 20-3 The financial institutions to be specified by Cabinet Office Order, as provided in Article 28, paragraph (1), item (iii) of the Act, are as follows:

- (i) agricultural cooperatives or a federation of agricultural cooperatives that carries out the business referred to in Article 10, paragraph (1), item (iii) (Businesses) of the Agricultural Cooperatives Act (Act No. 132 of 1947);
- (ii) fisheries cooperatives, a federation of fisheries cooperatives, fishery processing cooperatives or a federation of fishery processing cooperatives that carries out the business referred to in Article 11, paragraph (1), item (iv) (Types of Business), Article 87, paragraph (1), item (iv) (Types of Business), Article 93, paragraph (1), item (ii) (Types of Business) or Article 97, paragraph (1), item (ii) (Types of Business) of the Fisheries Cooperatives

- Act (Act No. 242 of 1948);
- (iii) credit cooperatives, or a federation of cooperatives that carries out the business referred to in Article 9-9, paragraph (1), item (i) (Federation of Cooperatives) of the Small and Medium-Sized Enterprise Cooperatives Act (Act No. 181 of 1949);
  - (iv) shinkin banks, or a federation of shinkin banks;
  - (v) labor banks, or The Rokinren Bank;
  - (vi) The Norinchukin Bank; and
  - (vii) the Shoko Chukin Bank Limited.

(Matters Requiring Notices to Prospective Subscribers of Fund Contribution)

Article 20-4 The matters to be specified by Cabinet Office Order, as provided in Article 28, paragraph (1), item (iv) of the Act, are the matters specified in the articles of incorporation (excluding those specified in items (i) through (iii) of the same Article), regarding which notices are requested by the prospective subscribers of fund contribution at the time of incorporation of the mutual company to the incorporator.

(Matters Requiring Notices to Persons Intending to Make Application for Membership)

Article 20-5 The matters to be specified by Cabinet Office Order, as provided in Article 30-7, paragraph (1), item (vi) of the Act, are the matters specified in the articles of incorporation (excluding the matters specified in items (i) through (v) of the same paragraph), regarding which notices are requested by the persons intending to prospective applicant of membership at the time of incorporation of the mutual company to the incorporator.

(Matters to Be Determined upon Calling of Meeting)

Article 20-6 The matters to be specified by Cabinet Office Order, as provided in Article 67, paragraph (1), item (v) (Determinations to Call Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act following the deemed replacement of terms, are as follows:

- (i) when the matters stated in Article 67, paragraph (1), item (iii) or (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act are determined, the following matters:
  - (a) the matters to be specified in organizational meeting reference documents (meaning the organizational meeting reference documents as provided in Article 70, paragraph (1) (Giving of Reference Documents for Organizational Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act; the same

- applies in the following Article) pursuant to the provisions of paragraph (1) of the following Article;
- (b) when the matters specified in Article 67, paragraph (1), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act are determined, the time limit for the exercise of voting rights in writing (limited to the timing on or before the date and time of the organizational meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 68, paragraph (1) (Notices of Calling Organization Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act);
  - (c) when the matters specified in Article 67, paragraph (1), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act are determined, the time limit for the exercise of voting rights by the electronic or magnetic means (limited to the timing on or before the date and time of the organizational meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 68, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act);
  - (d) the details of the treatment, if, when a voting form (meaning the voting form as provided in Article 70, paragraph (1) (Giving of Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act; the same applies below in this Article and Article 20-8) is submitted to the incorporator without any entry in the space to indicate answer whether the prospective member casts affirmative or negative votes on the items on the agenda (if the space to indicate abstention is to be provided, including the answer whether the prospective member intends to abstain from voting; the same applies in Article 20-19 and Article 23), the prospective member is to be treated to have manifested the intention to cast an affirmative or negative vote on the items on agenda, or to abstain from voting;
  - (e) the matter related to treatment of the exercise of voting rights by a prospective member, if the treatment is provided for the cases where a single prospective member exercises the voting rights in duplicate for the same item on the agenda pursuant to the following provisions categorized by the cases as respectively stated in the relevant provisions and where there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda (excluding the cases provided in the following item):
    1. when the matter specified in Article 67, paragraph (1), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8,

- paragraph (6) of the Act is provided: Article 75, paragraph (1) (Voting in Writing) of the Companies Act applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act;
2. when the matter specified in Article 67, paragraph (1), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act is provided: Article 76, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act;
- (ii) the following matters, when the matter specified in Article 67, paragraph (1), item (iii) and (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act is provided:
- (a) when the voting form under Article 70, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act is to be delivered (including provision by electronic or magnetic means in lieu of the delivery, pursuant to Article 70, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act) to a prospective member who has given an approval under Article 68, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act following the deemed replacement of terms, subject to the prospective member's request, that fact;
- (b) the matter related to treatment of the exercise of voting rights by a prospective member, if the treatment is provided for the cases where a single prospective member exercises the voting rights in duplicate for the same item on the agenda pursuant to the provisions of Article 75, paragraph (1) (Voting in Writing) or Article 76, paragraph (1) (Voting by Electronic or Magnetic Means) as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act following the deemed replacement of terms and where there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda;
- (iii) the outline of the proposal for the following matter, when the matter is the purpose of the organization meeting, except for the cases provided in item (i):
- (a) appointment of officers, etc. at incorporation (meaning directors at incorporation, accounting advisors at incorporation, company auditors at incorporation and financial auditors at incorporation as provided in Article 30-10, paragraph (1) of the Act); and
- (b) amendment to articles of incorporation.

(Organizational Meeting Reference Documents)

Article 20-7 (1) The organizational meeting reference documents to be given pursuant to the provisions of Article 70, paragraph (1) or Article 71, paragraph

(1) (Giving of Reference Documents for Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act must be prepared in accordance with Appended Form No. 5.

(2) The delivery of organizational meeting reference documents implemented by an incorporator, providing for the matters specified in Article 67, paragraph (1), items (iii) and (iv) (Determinations to Call Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery) is the delivery of the organizational meeting reference documents pursuant to Article 70, paragraph (1) and Article 71, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act.

#### (Voting Forms)

Article 20-8 (1) Voting forms to be delivered pursuant to the provisions of Article 70, paragraph (1) (Giving of Voting Forms) of the Companies Act, as applied mutatis mutandis pursuant to Article 30-8 of the Act, must be prepared in accordance with Appended Form No. 5-2.

(2) If the incorporator has prescribed the matter stated in Article 20-6, item (ii), (a), the incorporator must, upon the request from a prospective member who has given an approval under Article 68, paragraph (3) (Notices of Calling Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act, deliver to the prospective member a voting form under Article 70, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act (that delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery, pursuant to the provisions of Article 70, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act x).

(3) The matters to be contained in the voting form to be provided by the electronic or magnetic means as referred to in Article 71, paragraph (3) or (4) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act are as prescribed in Appended Form No. 5-2.

#### (Time Limit for Exercise of Voting Rights in Writing)

Article 20-9 The timing to be specified by Cabinet Office Order, as provided in Article 75, paragraph (1) (Voting in Writing) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act following the deemed replacement of terms, is the time limit for exercise referred to in Article 20-6, item (i), (b).

(Time Limit for Exercise of Voting Rights by Electronic or Magnetic Means)

Article 20-10 The timing to be specified by Cabinet Office Order, as provided in Article 76, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act following the deemed replacement of terms, is the time limit for exercise referred to in Article 20-6, item (i), (c).

(Accountability of Incorporators)

Article 20-11 The cases to be specified by Cabinet Office Order, as provided in Article 78 (Accountability of Incorporators) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act following the deemed replacement of terms, are as follows:

- (i) cases where it is necessary to perform an investigation in order to provide explanation for any matter so requested by a prospective member (excluding the following cases):
  - (a) cases where the prospective member has notified the incorporator of that matter within a reasonable period of time before the day of the organizational meeting; or
  - (b) cases where it is extremely easy to conduct investigation necessary in order to provide explanation on that matter;
- (ii) cases where giving explanation on the matter so requested by the prospective member would be detrimental to the rights of the mutual company after incorporation or any other parties (excluding the prospective member);
- (iii) cases where the prospective member repeatedly requests explanation on the substantially identical subjects at the organization meeting; and
- (iv) beyond the cases stated in the preceding three items, cases where there is any justifiable ground for refraining from giving explanation on the matters so requested by a prospective member.

(Minutes of Organizational Meeting)

Article 20-12 (1) The preparation of minutes of organizational meeting under Article 81, paragraph (1) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 30-8, paragraph (6) of the Act is as prescribed in this Article.

- (2) The minutes of organizational meeting must be prepared in writing or by electronic or magnetic records.
- (3) The minutes of organizational meeting must contain the following matters:
  - (i) the date and place where the organizational meeting was held;
  - (ii) the substance of the proceedings of the organizational meeting, as well as

- the results;
- (iii) the names of the incorporators, directors at incorporation (meaning directors at incorporation as provided in Article 30-10, paragraph (1) of the Act; the same applies below in this item) (or, meaning directors at incorporation who are audit and supervisory committee members at incorporation (meaning audit and supervisory committee members at incorporation as provided in paragraph (2) of the same Article) or any other directors at incorporation, if the mutual company intended to be established is a company with audit and supervisory committee), accounting advisors at incorporation (meaning accounting advisors at incorporation as provided in paragraph (1) of the same Article), company auditors at incorporation (meaning company auditors at incorporation as provided in the same paragraph), financial auditors at incorporation (meaning financial auditors at incorporation as provided in the same paragraph), or executive officers at incorporation (meaning executive officers at incorporation as provided in paragraph (9) of the same Article) present at the organizational meeting;
  - (iv) if the organizational meeting was presided over by the chairperson, the name of the chairperson; and
  - (v) the names of the incorporators who took charge of duties to prepare the minutes.

(Members List)

- Article 20-13 (1) The list of members of a mutual company as provided in Article 32-3, paragraph (1) of the Act must be prepared at least once a business year and must cover the members as of a certain day within three months before the day of preparation.
- (2) The matters to be specified by Cabinet Office Order, as provided in Article 32-3, paragraph (1) of the Act, are as follows:
- (i) trade names or names of members; and
  - (ii) domiciles or residences of members.

(Corporation Whose Management Is Controlled by Mutual Company)

- Article 20-14 (1) The corporation to be specified by Cabinet Office Order, as provided in Article 33-2, paragraph (1) of the Act, is the company, etc. (meaning a company (including a foreign company), partnership (including a foreign entity equivalent to a partnership) or any other entity equivalent to the aforementioned; the same applies below in this Article and Article 23-8-2), whose decision-making on financial and business policies are taken control over by the mutual company.
- (2) The cases where "decision-making on financial and business policies are taken control over by the mutual company" as provided to in the preceding

paragraph are the following cases (excluding the cases where the mutual company is found as obviously not having control over decision-making on financial and business policies of company, etc., in terms of the financial or business relationship) (the same applies below in this paragraph):

- (i) cases where the ratio of number of voting rights owned on the mutual company's own account (including the account of its substantial subsidiary company (meaning a substantial subsidiary company as provided in Article 33-2, paragraph (1) of the Act; the same applies below in this paragraph) to the total number of voting rights in a company, etc. (excluding the following company, etc. regarding which no effective parent-subsidiary relationship is found to exist; the same applies below in this paragraph)) exceeds 50 percent:
  - (a) a company, etc. that is subject to an order commencing rehabilitation proceedings under the provisions of the Civil Rehabilitation Act (Act No. 225 of 1999);
  - (b) a stock company that is subject to an order commencing reorganization proceedings under the provisions of the Corporate Reorganization Act (Act No. 154 of 2002);
  - (c) a company, etc. that is subject to an order commencing bankruptcy proceedings under the provisions of the Bankruptcy Act (Act No. 75 of 2004); and
  - (d) any other company, etc. which is equivalent to any of those specified in items (a) through (c);
- (ii) the cases where the ratio of number of voting rights owned on the mutual company's own account to the total number of voting rights in the company, etc. is not less than 40 percent (excluding the case stated in the preceding item), and where any of the requirements is met:
  - (a) that the ratio of the Number of Self-Owned Voting Rights (meaning the total number of the following voting rights; the same applies in the following item) to the total number of voting rights in a company, etc. exceeds 50 percent:
    - 1. voting rights owned on the mutual company's own account;
    - 2. the voting rights owned by any party having a close relationship with the mutual company in terms of equity contribution, personnel affairs, funding, technology, business transactions, etc. and therefore is likely to exercise its voting rights in concert with the intention of the mutual company;
    - 3. the voting rights owned by any persons who have given their consent to exercising their voting rights in concert with the intent of the mutual company;
  - (b) that the ratio of the number of following persons (limited to the persons who may exert the influence on decision-making of financial and business

policies of the company, etc.) to the total number of members of the board of directors or any other organ equivalent thereto of the company, etc. exceeds 50 percent:

1. the mutual company's own officers (meaning directors, accounting advisors, company auditors, executive officers, auditors and persons similar thereto);
  2. the members who execute the mutual company's business;
  3. the mutual company's employees; and
  4. the person who formerly held any of the positions stated in 1. through 3. above;
- (c) that there exists a contract or the like providing that the mutual company takes control over significant decisions on financial or business policies of the company, etc.;
- (d) the ratio of the amount of loan (including guarantee of obligations and provision of collateral; the same applies in (d)) granted by the mutual company to the total amount of the fund procured by the company, etc. (limited to the amount recorded in the liabilities section of the balance sheet; the same applies in (d); and including the amount financed by any party having close relationship with the mutual company in terms of equity contribution, personnel affairs, funding, technology, business transactions, etc.) exceeds 50 percent; and
- (e) that there exists any other fact inferring that the mutual company has control over the decision-making of financial and business policies of the company, etc.;
- (iii) cases where the ratio of the Number of Self-Owned Voting Rights to the total number of voting rights in the company, etc. exceeds 50 percent (including the cases where the mutual company does not own the voting rights on its own account, and excluding the cases stated in the preceding two items), and where any of the requirements stated in (b) through (e) of the preceding item is met.

(Exception of Special Purpose Company)

Article 20-15 Notwithstanding the provisions of the preceding Article, regarding a special purpose company (meaning a specific purpose company provided in Article 2, paragraph (3) of the Act on Securitization of Assets (Act No. 105 of 1998) or a business entity engaged in a business similar thereto which is restricted from effecting any modification to its business details; the same applies below in this Article and Article 52-12-2, paragraph (5)), if all of the following requirements are met, the special purpose company is presumed as not falling under a substantial subsidiary company of the mutual company which assigned its assets to the special purpose company:

- (i) that the special purpose company has been incorporated for the purpose of allowing the owners of securities (including the rights to be indicated on the securities) issued by the special purpose company (the owners include the creditors of specific borrowings provided in Article 2, paragraph (12) of the Asset Securitization Act and also including the creditors of similar borrowings) to receive the profits generating from assets that have been transferred to the special purpose company at a fair value;
- (ii) that the business of the special purpose company is appropriately executed in accordance with its purpose.

(Directors to Be Held Liable for Providing Benefits)

Article 20-16 The persons to be specified by Cabinet Office Order, as provided in Article 120, paragraph (4) (Giving Benefits on Exercise of Rights of Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 33-2, paragraph (2) of the Act following the deemed replacement of terms are as follows:

- (i) the director and executive officer who executed the duties related to provision of benefits (meaning provision of benefits as provided in Article 33-2, paragraph (1) of the Act; the same applies below in this Article);
- (ii) if the provision of benefit was implemented in accordance with the resolution of the board of directors, the following persons:
  - (a) the director who casted an affirmative vote on the resolution of the board of directors; and
  - (b) the director and executive officer who submitted the proposed item on the agenda regarding the provision of benefit to the board of directors; and
- (iii) if the provision of benefit was implemented in accordance with the resolution of the general meeting (or a member representatives meeting, if it has been organized; the same applies below in this item), the following persons:
  - (a) the director who has submitted to the general meeting the proposed item on the agenda regarding the provision of benefit;
  - (b) if the proposal referred to in (a) was submitted in accordance with the resolution of the board of directors, the directors who casted affirmative votes on that resolution of the board of directors; and
  - (c) the director and executive officer who gave an explanation related to the provision of benefit at the general meeting.

(Method for Demanding to File an Action to Enforce Liability by a Member)

Article 20-17 The methods to be specified by Cabinet Office Order, as provided in Article 847, paragraph (1) (Action to Enforce Liability by Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 33-2,

paragraph (2) and Article 53-37 of the Act following the deemed replacement of terms are the submission of documents specifying the following matters, or the provision of those matters by electronic or magnetic means:

- (i) the prospective defendant; and
- (ii) object of claim, and facts necessary for specifying the claim.

(Method of Notification of Reason for Not Filing Action to Enforce Liability by a Mutual Company)

Article 20-18 The methods to be specified by Cabinet Office Order, as provided in Article 847, paragraph (4) (Action to Enforce Liability by Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 33-2, paragraph (2) and Article 53-37 of the Act following the deemed replacement of terms are the submission of documents specifying the following matters, or the provision of those matters by electronic or magnetic means:

- (i) the details of the investigation performed by the mutual company (including the materials which served as the basis of judgment referred to in the following item);
- (ii) judgment as to whether the person listed in item (i) of the preceding Article is held liable for any responsibility or obligation in relation to the action related to the demand under Article 847, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 33-2, paragraph (2) and Article 53-37 of the Act following the deemed replacement of terms, and the grounds of the judgment; and
- (iii) if the company judges the person referred to in preceding item to be held liable for any responsibility or obligation, and where the company refrains from filing an action to enforce liability, etc. (meaning an action to enforce liability, etc. as provided in Article 847, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 33-2, paragraph (2) and Article 53-37 of the Act), the grounds for that.

(Matters to Be Determined upon Calling of Meeting)

Article 20-19 The matters to be specified by Cabinet Office Order, as provided in Article 298, paragraph (1), item (v) (Determination to Calling a Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, are as follows:

- (i) if the general meeting as provided in Article 298, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms is an annual general meeting, and where the date referred to in that item substantially differs from the anniversary of the date of the annual general

- meeting for the previous business year, the reason for determining that date;
- (ii) if the place of the general meeting as provided in Article 298, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms is substantially far from any place of general meetings previously held (excluding the following cases), the reason for determining that place:
    - (a) that the place is designated by the articles of incorporation; or
    - (b) that all members not attending the general meeting have consented to hold the meeting at the place;
  - (iii) when the matters stated in Article 298, paragraph (1), item (iii) or (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act are provided, the following matters (excluding the cases where the articles of incorporation provide for the matters stated in (b) through (d) and (f); and also excluding the matters if these matters are to be determined to be delegated to directors):
    - (a) the matters to be stated in the reference documents for general meetings (meaning reference documents for general meetings as provided in Article 301, paragraph (1) (Giving of Reference Documents for Shareholders Meetings) as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms; the same applies below in this Subsection), pursuant to the provisions of paragraph (1) of the following Article (excluding the matters specified in 9. of Appended Form No. 5 (Points in Attention Concerning Preparation of Document));
    - (b) when a specific timing (limited to the timing on or before the date and time of the general meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 299, paragraph (1) (Notice of Calling of Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act) is to be designated as the time limit for the exercise of voting rights in writing, that specific timing;
    - (c) when a specific timing (limited to the timing on or before the date and time of the general meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 299, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act) is to be designated as the time limit for the exercise of voting rights by electronic or magnetic means, that specific timing;
    - (d) the details of the treatment, if, when a voting form (meaning the voting form as provided in Article 301, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act; the same applies below in the following item and Article 20-22) is

- submitted to the mutual company without any entry in the space to indicate answer whether the member casts an affirmative or negative vote on the items on the agenda, the member is to be treated to have manifested the intention to cast an affirmative or negative vote on the items on agenda, or to abstain from voting;
- (e) the matter to be omitted from the reference documents for general meetings to be provided to members, due to the ground of implementation of the measure under Article 20-21, paragraph (1);
  - (f) the matter related to treatment of the exercise of voting rights by a member, if the treatment is prescribed for the cases where a single member exercises the voting rights in duplicate for the same item on the agenda pursuant to the following provisions categorized by the cases as respectively stated in those provisions and where there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda (excluding the cases provided in the following item):
    1. cases where the matter specified in Article 298, paragraph (1), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act is provided: Article 311, paragraph (1) (Voting in Writing) of the Companies Act applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act;
    2. cases where the matter specified in Article 298, paragraph (1), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act is provided: Article 312, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act;
  - (g) among the matters to be stated in the reference documents for general meetings, the matters to be omitted from a document to be delivered pursuant to the provisions of Article 325-5, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act, in accordance with the provisions of articles of incorporation under Article 325-5, paragraph (3) (Request for Delivery of Documents) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act (referred to as a "document containing matters for electronic provision" in Article 20-29);
  - (iv) the following matters, when the matters specified in Article 298, paragraph (1), items (iii) and (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act are provided (excluding the matters stated in (a) through (c), if the articles of incorporation provide for those matters):
    - (a) when the voting form under Article 301, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of

- the Act is to be delivered (including provision by electronic or magnetic means in lieu of the delivery, as provided in Article 301, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act) to a member and who has given an approval under Article 299, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, subject to the member's request, that fact;
- (b) the matter related to treatment of the exercise of voting rights by a member, if the treatment is provided for the cases where a single member exercises the voting rights in duplicate for the same item on the agenda pursuant to the provisions of Article 311, paragraph (1) or Article 312, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (6) of the Act and where there is a discrepancy in the duplicate exercises of voting rights for the same item on the agenda;
- (c) when the articles of incorporation provide that measures for electronic provision (meaning the measures for electronic provision provided in Article 325-2 (Provisions in the Articles of Incorporation to the Effect that Measures for Electronic Provision Will be Taken) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act; the same applies below in (c), Article 20-22, paragraph (4) and Article 20-28), and if the measures for electronic provision are to be taken with respect to information related to the matters to be stated in a voting form (limited to the matters related to the relevant member; the same applies in Article 20-22, paragraph (4)), subject to request from the member who has given consent referred to in Article 299, paragraph (3) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, that fact;
- (v) when, in connection with proxy voting under Article 310, paragraph (1) (Proxy Voting) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act, any matter related to proxy voting such as method of certifying the authority of representation (including qualification of proxies) and number of proxies are to be provided, those matters (excluding the cases where the matters are provided for in the articles of incorporation);
- (vi) in cases other than those provided in item (iii), if the object of the general meeting is any of the following matter, the outline of the proposal related to that matter (or, if the proposal has not been finalized yet, that fact):
- (a) election of officers, etc. (meaning directors, accounting advisors, company auditors, executive officers or financial auditors; the same applies below in this Chapter);
- (b) remuneration, etc. (meaning remuneration, bonuses or any other type of

property benefit payable from a mutual company in consideration of performance of duties; the same applies below in this Subsection) of officers, etc.;

- (c) acts listed in Article 62-2, paragraph (1), items (i) through (iii) of the Act;
- (d) amendment to articles of incorporation; and
- (e) merger.

(Reference Documents for General Meetings)

Article 20-20 (1) The reference documents for general meetings to be delivered pursuant to the provisions of Article 301, paragraph (1) or Article 302, paragraph (1) (Giving of Reference Documents for Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 41 of the Act following the deemed replacement of terms must be prepared in accordance with Appended Form No. 5.

(2) The delivery of reference documents for general meetings implemented by a mutual company, providing for the matters specified in Article 298, paragraph (1), items (iii) and (iv) (Determination of Calling a Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery) is the delivery of the reference documents for general meetings under Article 301, paragraph (1) and Article 302, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms.

(3) A director may, in addition to a notice of calling (meaning a notice under Article 299, paragraph (2) or (3) (Notice of Calling of Shareholders Meetings) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act; the same applies below in this Article to Article 20-22), notify the method of announcement of updated information to members when there occurs any event which requires modification to any matter to be stated in the reference documents for general meetings within the period between the day of dispatching the notice of calling and the day immediately prior to the date of the general meeting.

(4) If, among the matters to be stated in the reference documents for general meetings to be provided to members in connection with the same general meeting, there is any matter already included in other document or any information to be provided by the electronic or magnetic means, these matters needs not be included in the reference documents for general meetings to be provided to the members. In this case, it must be specifically noted that there is any matter already included in other document or any information to be

provided by the electronic or magnetic means.

- (5) If, among the matters to be included in the notice of calling to be sent to the members or in the business report to be provided to members pursuant to the provisions of Article 54-5 in connection with the same general meeting, there is any matter already included in the reference documents for general meetings, these matters need not be included in the notice of calling to be sent to the members or in the business report to be provided to members pursuant to the provisions of the same Article.

(Exception to Preparation of Reference Documents for General Meetings)

Article 20-21 (1) When, for the period between the time of dispatching a notice of calling of the general meeting and the day when three months passes from the day of the general meeting, the measure (limited to the method stated in Article 14-5, paragraph (1), item (i), (b), which is to be implemented by the method using automatic public transmission server connected to the internet (the term "automatic public transmission server" means a device which, when connected with a telecommunications line available for the public, executes automatic public transmission of information recorded on its public transmission recording medium made available for the automatic public transmission or information inputted into that device; the same applies below); the same applies in paragraph (3)) is implemented so as to keep members accessible to information concerning the matters to be included in the relevant reference documents for general meetings (excluding the following matters) by electronic or magnetic means, the reference documents for general meetings containing those matters are deemed to have been provided to the members; provided, however, that this is limited to the case where it is provided for in the articles of incorporation that the measure referred to in this paragraph is implemented:

- (i) proposals;
  - (ii) the matters specified in Article 29-2, paragraph (3), items (i) through (ix), if the matters are required to be specified in the reference documents for general meetings;
  - (iii) the matters to be specified in the reference documents for general meetings pursuant to the provisions of the following paragraph; and
  - (iv) when, in connection with the implementation of the measures under this paragraph in relation to the matters to be stated in the reference documents for general meetings (excluding the matters specified in the preceding two items), any company auditor, audit and supervisory committee or audit committee raised any objection, that matter.
- (2) In the case referred to in the preceding paragraph, the reference documents for general meetings to be provided to members must contain the characters,

numbers, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing the measure under the same paragraph, which enables the information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers.

- (3) The provisions of paragraph (1) do not preclude taking measures to keep members accessible also to the information concerning the matters listed in each item of the same paragraph by electronic or magnetic means.

(Voting Forms)

- Article 20-22 (1) Voting forms to be delivered pursuant to the provisions of Article 301, paragraph (1) (Giving of Voting Forms) of the Companies Act, as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act, must be prepared in accordance with Appended Form No. 5-2.
- (2) The matters to be contained in the voting form to be provided by electronic or magnetic means as referred to in Article 302, paragraph (3) or (4) (Giving of Voting Forms) of the Companies Act, as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act, are as prescribed in Appended Form No. 5-2.
- (3) If the mutual company has prescribed any provisions on the matters stated in Article 20-19, item (iv), (a), it must, upon the request from the member who has given an approval pursuant to the provisions of Article 299, paragraph (3) (Notice of Calling of Shareholders Meetings) of the Companies Act, as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, deliver to the member a voting form under Article 301, paragraph (1) of the Companies Act as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery, as under Article 301, paragraph (2) of the Companies Act as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act).
- (4) If there are provisions concerning the matters stated in Article 20-19, item (iv), (c), a mutual company must take the measures for electronic provision with respect to information related to the matters to be contained in a voting form, at the time when a request has been made by a member who has given consent referred to in Article 299, paragraph (3) of the Companies Act, as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms; provided, however, that this does not apply to the case where a voting form is delivered to the member under Article 325-3, paragraph (2) (Measures for Electronic Provision) of the Companies Act as applied *mutatis mutandis* pursuant to Article 41, paragraph

(1) of the Act.

(5) If, among the matters to be contained in the notice of calling to be sent to the members in connection with the same general meeting, there is any matter already stated in the voting form, that matter need not be contained in the notice of calling.

(6) If, among the matters to be contained in the voting form (limited to the matters specified in the following) to be provided to members in connection with the same general meeting, there is any matter already included in the notice of calling, that matter need not be contained in the voting form:

(i) the matter stated in Article 20-19, item (iii), (d);

(ii) the matter stated in Article 20-19, item (iv), (b); and

(iii) time limit for the exercise of voting rights.

(Time Limit for Exercise of Voting Rights in Writing)

Article 20-23 The timing to be specified by Cabinet Office Order, as provided in Article 311, paragraph (1) (Voting in Writing) of the Companies Act as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms is the end of the business hour immediately before the time of general meeting (if the matter stated in Article 20-19, item (iii), (b) is provided, the specific time referred to in (b) of that item).

(Time Limit for Exercise of Voting Rights by Electronic or Magnetic Means)

Article 20-24 The timing to be specified by Cabinet Office Order, as provided in Article 312, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms is the end of the business hour immediately before the time of general meeting (if the matter specified in Article 20-19, item (iii), (c) has been provided, the specific time referred to in (c) of that item).

(Accountability of Directors)

Article 20-25 The cases to be specified by Cabinet Office Order, as provided in Article 314 (Accountability of Directors) of the Companies Act as applied *mutatis mutandis* pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, are as follows:

(i) cases where it is necessary to perform an investigation in order to provide explanation for any matter so requested by a member (excluding the following cases):

(a) cases where the member has notified the mutual company of that matter within a reasonable period of time before the day of the general meeting; or

(b) cases where it is extremely easy to conduct investigation necessary in

- order to provide explanation on that matter;
- (ii) cases where giving explanation on the matter so requested by the member would be detrimental to the rights of the mutual company or any other parties (excluding that member);
- (iii) cases where the member repeatedly requests explanation on the substantially identical subjects at the general meeting; and
- (iv) beyond the cases stated in the preceding three items, cases where there is any justifiable ground for refraining from giving explanation on the matters so requested by a member.

(Minutes)

- Article 20-26 (1) The preparation of minutes of the general meeting under Article 318, paragraph (1) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms is as prescribed in this Article.
- (2) The minutes of a general meeting must be prepared in writing or by electronic or magnetic records.
  - (3) The minutes of a general meeting must contain the following matters:
    - (i) the date and place where the general meeting was held (including the method of attendance, if directors (in the case of a company with audit and supervisory committee, directors who are audit and supervisory committee members and other directors; the same applies in item (iv)), executive officers, accounting advisors, company auditors, financial auditors or members not present at the place attended the general meeting);
    - (ii) the substance of the proceedings of the general meeting, as well as the results;
    - (iii) if, pursuant to any of the following provisions, any opinion or remark was presented at the general meeting, the outline of the opinions or remarks:
      - (a) Article 342-2, paragraph (1) (Statement of Opinions on the Election of a Director Who Is an Audit and Supervisory Committee Member) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act;
      - (b) Article 342-2, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act;
      - (c) Article 342-2, paragraph (4) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act;
      - (d) Article 345, paragraph (1) (Statement of Opinions on Election of Accounting Advisors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act (including as applied mutatis mutandis pursuant to Article 345, paragraphs (4) and (5) of the Companies Act as further applied mutatis mutandis pursuant to Article 53-11 of the Act);

- (e) Article 345, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act (including as applied mutatis mutandis pursuant to Article 345, paragraphs (4) and (5) of the Companies Act as further applied mutatis mutandis pursuant to Article 53-11 of the Act);
  - (f) Article 361, paragraph (5) (Remuneration for Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 of the Act;
  - (g) Article 361, paragraph (6) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 of the Act;
  - (h) Article 377, paragraph (1) (Statement of Opinions at Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act;
  - (i) Article 379, paragraph (3) (Remunerations for Accounting Advisors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act;
  - (j) Article 384 (Duty to Report to Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
  - (k) Article 387, paragraph (3) (Remunerations for Company Auditors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
  - (l) Article 398, paragraph (1) (Statement of Opinions of Financial Auditors at Annual Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23 of the Act;
  - (m) Article 398, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23 of the Act; and
  - (n) Article 399-5 (Duty to Report to Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (5) of the Act;
  - (iv) the names of directors, executive officers, accounting advisors, company auditors or financial auditors present at the general meeting;
  - (v) if the general meeting was presided over by the chairperson, the name of the chairperson; and
  - (vi) the names of the director who took charge of duties to prepare the minutes.
- (4) In the case referred to in the following items, the minutes of a general meeting are to contain the matters respectively stated in the relevant items:
- (i) when, pursuant to the provisions of Article 319, paragraph (1) (Omission of Resolutions at Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, the resolution of the general meeting is deemed to have been made: the following matters:
    - (a) the details of the matters which are deemed to have been resolved at the

- general meeting;
- (b) the name of the person who proposed the matter referred to in item (a);
- (c) the day when the resolution of general meeting is deemed to have been made; and
- (d) the name of the director who took charge of duty of preparation of the minutes;
- (ii) when, pursuant to the provisions of Article 320 (Omission of Reports to Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, the report to the general meeting is deemed to have been made: the following matters:
  - (a) the matters which are deemed to have been reported to the general meeting;
  - (b) the day when the report to the general meeting is deemed to have been made; and
  - (c) the name of the director who took charge of the duty of preparation of the minutes.

(Measures for Electronic Provision)

Article 20-27 The measures to be specified by Cabinet Office Order, as provided in Article 325-2 (Provisions in the Articles of Incorporation to the Effect that Measures for Electronic Provision Will be Taken) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, are the measures stated in Article 14-5, paragraph (1), item (i), (b), which are implemented by the method using an automatic public transmission server connected to the internet.

(Matters to be Contained in Notice of Calling When Measures for Electronic Provision are Taken)

Article 20-28 The matters to be specified by Cabinet Office Order, as provided in Article 325-4, paragraph (2), item (iii) (Special Provisions on Notice of Convocation of a Shareholders Meeting) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, are characters, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing measures for electronic provision, which enables the information recipients to inspect the details of information by inputting it into the computers they use and to record the information into the file stored on the computers, and other matters necessary for the information recipients to inspect the contents of the information and record the information in files stored in the computer.

(Matters Not Required to be Stated in Document Containing Matters for Electronic Provision Measures)

Article 20-29 (1) The matters to be specified by Cabinet Office Order, as provided in Article 325-5, paragraph (3) (Request for Delivery of Documents) of the Companies Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, are as follows:

- (i) the matters to be stated in reference documents for general meetings (excluding the following matters):
    - (a) proposals;
    - (b) in connection with the omission of the matters to be stated in reference documents for general meetings (excluding the matters stated in (a)) from a document containing matters for electronic provision measures, if any company auditor, audit and supervisory committee or audit committee raised any objection, the relevant matter;
  - (ii) the matters stated or recorded in a business report (excluding the matters stated in the following):
    - (a) the matters stated in Article 29-2, paragraph (3), items (i) through (viii)-3, and the matters relating to a contract referred to in Article 427, paragraph (1) (Agreement Limiting Liability) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 of the Act;
    - (b) in connection with the omission of the matters stated or recorded in a business report (excluding the matters stated in (a)) from a document containing matters for electronic provision measures, if any company auditor, audit and supervisory committee or audit committee raised any objection, the relevant fact;
  - (iii) the matters stated or recorded in financial statements (meaning the financial statements provided in Article 54-3, paragraph (2) of the Act; the same applies below in this Section) (limited to the matters related to the relevant notes to a statement of changes in funds, etc. or a balance sheet or profit and loss statement); and
  - (iv) the matters stated or recorded in consolidated financial statements (meaning the consolidated financial statements provided in Article 54-10, paragraph (1) of the Act; the same applies below in this Section) (limited to the matters related to the relevant notes to a consolidated statement of changes in funds, etc. (including the relevant notes; the same applies below) or a consolidated balance sheet or consolidated profit and loss statement (including the relevant notes; the same applies below)).
- (2) In the case of omitting all or a portion of the matters stated in the following items from a document containing matters for electronic provision measures, a

director must notify members (limited to members receiving the delivery of a document containing matters for electronic provision measures; the same applies below in this paragraph) of the matters respectively prescribed in those items:

- (i) the matters stated in item (ii) of the preceding paragraph: if the company auditor, audit and supervisory committee, or audit committee requests the directors to notify the members that the matters stated in the document containing matters for electronic provision measures (limited to matters stated or recorded in the business report) form a part of the matters stated or recorded in the business report audited when preparing an audit report, the relevant fact;
- (ii) the matters stated in item (iii) of the preceding paragraph: if the company auditor, financial auditor, audit and supervisory committee, or audit committee requests the directors to notify the members that the matters stated in the document containing matters for electronic provision measures (limited to the matters stated or recorded in financial statements) form a part of the matters stated or recorded in the financial statements audited when preparing an audit report or financial audit report, the relevant fact; and
- (iii) the matters stated in item (iv) of the preceding paragraph: if the company auditor, financial auditor, audit and supervisory committee, or audit committee requests the directors to notify the members that the matters stated in the document containing matters for electronic provision measures (limited to the matters stated or recorded in consolidated financial statements) form a part of the matters stated or recorded in the consolidated financial statements audited when preparing an audit report or financial audit report, the relevant fact.

(Matters Related to Representative Members Which Are to Be Stated in Articles of Incorporation)

Article 21 The matters to be specified by Cabinet Office Order, as provided in Article 42, paragraph (2) of the Act, are as follows:

- (i) the authorized number of representative members;
- (ii) the term of office of representative members;
- (iii) the method of appointment of representative members; and
- (iv) the measures to be implemented in the case of a vacancy in offices of representative members.

(Reference Documents for Member Representatives Meetings)

Article 22 (1) The document stating the matters which would serve as reference information for the exercise of voting rights, which are to be delivered

pursuant to the provisions of Article 48, paragraph (1) of the Act (referred to below as "reference documents for member representatives meetings" in this Subsection) must be prepared in accordance with Appended Form No. 5-3.

- (2) The delivery of reference documents for member representatives meetings implemented by a mutual company, providing for the matters stated in Article 298, paragraph (1), items (iii) and (iv) (Determination of Calling a Shareholders Meeting) of the Companies Act as applied *mutatis mutandis* pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery) is the delivery of the reference documents for member representatives meetings pursuant to Article 48, paragraph (1).
- (3) A director may, in addition to a notice of calling (meaning a notice under Article 299, paragraph (2) or (3) (Notice of Calling of Shareholders Meetings) of the Companies Act as applied *mutatis mutandis* pursuant to Article 49, paragraph (1) of the Act; the same applies below in this Article to Article 22-3), notify the method of announcement of updated information to representative members when there occurs any event which requires modification to any matter to be stated in the reference documents for member representatives meetings within the period between the day of dispatching the notice of calling and the day immediately prior to the date of the Member representatives meeting.
- (4) If, among the matters to be stated in the reference documents for member representatives meetings to be provided to representative members in connection with the same member representatives meeting, there is any matter already included in any other document or any information to be provided by way of the electronic or magnetic means, these matters need not be included in the reference documents for member representatives meetings to be provided to the representative members. In this case, it must be specifically noted that there is any matter already stated in other document or any information to be provided by way of the electronic or magnetic means.
- (5) If, among the matters to be included in the notice of calling to be sent to the representative members or in the business report to be provided to representative members pursuant to the provisions of Article 54-5 in connection with the same member representatives meeting, there is any matter stated in the reference documents for member representatives meetings, these matters need not be included in the notice of calling to be sent to the representative members or in the business report to be provided to representative members pursuant to the provisions of the same Article.

(Exception to Preparation of Reference Documents for Member Representatives

Meetings)

Article 22-2 (1) When, for the period between the time of dispatching a notice of calling of the member representatives meeting and the day when three months passes from the day of the member representatives meeting, the measure (limited to the method specified in Article 14-5, paragraph (1), item (i), (b), which is to be implemented by the method using automatic public transmission server connected to the internet; the same applies in paragraph (3)) is implemented so as to keep representative members accessible to information related to the matters to be contained in the relevant reference documents for member representatives meetings (excluding the following matters) by electronic or magnetic means, the reference documents for member representatives meetings containing these matters are deemed to have been provided to the representative members; provided, however, that this is limited to the case where it is provided for in the articles of incorporation that the measure referred to in this paragraph is implemented:

- (i) items on agenda;
  - (ii) the matters stated in Article 29-2, paragraph (3), items (i) through (ix), if these matters are required to be specified in the reference documents for member representatives meetings;
  - (iii) the matters to be specified in the reference documents for member representatives meetings pursuant to the provisions of the following paragraph; and
  - (iv) when, in connection with the implementation of the measures under this paragraph in relation to the matters to be stated in the reference documents for member representatives meetings (excluding the matters specified in the preceding two items), any company auditor, audit and supervisory committee or audit committee raised any objection, that matter.
- (2) In the case referred to in the preceding paragraph, the reference documents for member representatives meetings to be provided to members must contain the characters, numbers, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing the measure referred to in the same paragraph, which enables the information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers.
- (3) The provisions of paragraph (1) do not preclude taking measures to keep representative members able to access the information related to the matters stated in each item of the same paragraph by electronic or magnetic means.

(Voting Forms)

Article 22-3 (1) Voting forms to exercise the voting rights which are to be

- delivered pursuant to the provisions of Article 48, paragraph (3) of the Act (referred to below as "voting form" in this Article and the following Article) must be prepared in accordance with Appended Form No. 5-2.
- (2) The matters to be contained in the voting form to be provided by electronic or magnetic means as referred to in Article 48, paragraph (5) or (6) of the Act are as prescribed in Appended Form No. 5-2.
- (3) If the mutual company has prescribed any provisions on the matters stated in item (iv), (a) of the following Article, it must, upon the request from the representative member who has given an approval pursuant to the provisions of Article 299, paragraph (3) (Notice of Calling of Shareholders Meetings) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms, deliver to the representative member a voting form pursuant to Article 48, paragraph (3) of the Act (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery, pursuant to paragraph (4) of the same Article).
- (4) If there are provisions concerning the matters stated in item (iv), (c) of the following Article, a mutual company must take the measures for electronic provision (meaning the measures for electronic provision provided in Article 325-2 (Provisions in the Articles of Incorporation to the Effect that Measures for Electronic Provision Will be Taken) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act; the same applies in (c) of that item and Article 23-5-3) with respect to information related to the matters to be contained in a voting form, at the time when a request has been made by a representative member who has given consent referred to in Article 299, paragraph (3) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms (limited to the matters related to the relevant representative member; the same applies in (c) of that item); provided, however, that this does not apply to the case where a voting form is delivered to the representative member under Article 325-3, paragraph (2) (Measures for Electronic Provision) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act.
- (5) If, among the matters to be contained in the notice of calling to be sent to representative members in connection with the same member representatives meeting, there is any matter already stated in the voting form, that matter need not be contained in the notice of calling.
- (6) If, among the matters to be contained in the voting form (limited to the matters stated in the following) to be provided to representative members in connection with the same member representatives meeting, there is any matter already stated in the notice of calling, that matter need not be contained in the

voting form:

- (i) the matter stated in (d), item (iii) of the following Article;
- (ii) the matter stated in (b), item (iv) of the following Article; and
- (iii) the time limit for the exercise of voting rights.

(Matters to Be Determined upon Calling of Meeting)

Article 23 The matters to be specified by Cabinet Office Order, as provided in Article 298, paragraph (1), item (v) (Determination of Calling a Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms, are as follows:

- (i) if the member representatives meeting as provided in Article 298, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms is an annual member representatives meeting, and where the date referred to in that item substantially differs from the anniversary of the date of annual member representatives meeting related to the previous business year, the reason for determining that date;
- (ii) when the place of member representatives meeting as provided in Article 298, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms is substantially far from any place of member representatives meetings previously held (excluding the following cases), the reason for determining that place:
  - (a) that the place is designated by the articles of incorporation; or
  - (b) that all representative members not attending the member representatives meeting have consented to hold the meeting at that place;
- (iii) when the matters stated in Article 298, paragraph (1), item (iii) or (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act are provided, the following matters (excluding the cases where the articles of incorporation provide for the matters stated in (b) through (d) and (f); and also excluding the matters if these matters are determined to be delegated to directors):
  - (a) the matters to be stated in the reference documents for member representatives meetings, pursuant to the provisions of Article 22, paragraph (1) (excluding the matters specified in 9. of Appended Form No. 5 (Points in Attention Concerning Preparation of Document));
  - (b) when a specific timing (limited to the timing on or before the date and time of the member representatives meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 299, paragraph (1) (Notice of Calling of Shareholders Meetings) of

- the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act) is to be designated as the time limit for the exercise of voting rights in writing, that specific timing;
- (c) when a specific timing (limited to the timing on or before the date and time of the member representatives meeting, but falls on or after the day when two weeks passes from the day of dispatching the notice under Article 299, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act) is to be designated as the time limit for the exercise of voting rights by electronic or magnetic means, that specific timing;
  - (d) the details of the treatment, if, when a voting form is submitted from any representative member to the mutual company without any entry in the space to indicate answer whether the representative member casts affirmative or negative vote on the items on the agenda, the representative member is to be treated to have manifested the intention to cast an affirmative or negative vote on the items on agenda, or to abstain from voting;
  - (e) the matter to be omitted from the reference documents for member representatives meetings to be provided to representative members, due to the ground of the implementation of the measure under Article 22-2, paragraph (1);
  - (f) the matter related to treatment of the exercise of voting rights by a representative member, if the treatment is prescribed for the cases where a single representative member exercises the voting rights in duplicate for the same item on the agenda pursuant to the following provisions categorized by the cases as respectively stated in those provisions and where there is a discrepancy in the duplicate exercises of voting rights for the same item on the agenda (excluding the cases provided in the following item):
    1. cases where the matter specified in Article 298, paragraph (1), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act is provided: Article 301, paragraph (1) (Voting in Writing) of the Companies Act applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act;
    2. cases where the matter specified in Article 298, paragraph (1), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act is provided: Article 312, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act;
  - (g) among the matters to be stated in the reference documents for member representatives meetings, the matters to be omitted from a document to be

- delivered pursuant to the provisions of Article 325-5, paragraph (2) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act, in accordance with the provisions of articles of incorporation under Article 325-5, paragraph (3) (Request for Delivery of Documents) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act (referred to as a "document containing matters for electronic provision measures" in Article 23-5-4);
- (iv) the following matters, if the matters specified in Article 298, paragraph (1), items (iii) and (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act are provided (excluding the matters stated in (a) through (c), if the articles of incorporation provide for those matters):
- (a) when the voting form under Article 48, paragraph (3) of the Act is to be delivered (including provision by electronic or magnetic means in lieu of the delivery, as referred to in paragraph (4) of the same Article) to a representative member who has given consent referred to in Article 299, paragraph (3) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms, subject to the representative member's request, that fact;
- (b) the matter related to treatment of the exercise of voting rights by a representative member, if the treated is provided for the cases where a single representative member exercises the voting rights in duplicate for the same item on the agenda pursuant to the provisions of Article 311, paragraph (1) or Article 312, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act and where the accounts of the duplicate exercises of voting rights for the same item on the agenda are not the same;
- (c) if the articles of incorporation provide that measures for electronic provision are to be taken, and the measures for electronic provision are to be taken with respect to information related to the matters to be stated in a voting form, subject to request from the representative member who has given consent referred to in Article 299, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms, that fact;
- (v) when, in connection with proxy voting under Article 44-2, paragraph (1) of the Act, any matter related to proxy voting such as method of certifying the authority of representation (including qualification of proxies) is to be provided, those matters (excluding the cases where those matters are provided for in the articles of incorporation);
- (vi) in cases other than those provided in item (iii), if the object of the member representatives meeting is any of the following matter is, the outline of the

proposal related to that matter (or, if the proposal has not been finalized yet, that fact):

- (a) election of officers, etc.;
- (b) remuneration, etc. payable to officers, etc.;
- (c) acts stated in Article 62-2, paragraph (1), items (i) through (iii) of the Act;
- (d) amendment to articles of incorporation; and
- (e) merger.

(Time Limit for Exercise of Voting Rights in Writing)

Article 23-2 The timing to be specified by Cabinet Office Order, as provided in Article 311, paragraph (1) (Voting in Writing) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms is the end of the business hour immediately before the time of member representatives meeting (if the matter stated in item (iii), (b) of the preceding Article is provided, the specific time referred to in (b) of that item).

(Time Limit for Exercise of Voting Rights by Electronic or Magnetic Means)

Article 23-3 The timing to be specified by Cabinet Office Order, as provided in Article 312, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms is the end of the business hour immediately before the time of member representatives meeting (if the matter stated in Article 23, item (iii), (c) of the preceding Article is provided, the specific time referred to in (c) of that item).

(Accountability of Directors)

Article 23-4 The cases to be specified by Cabinet Office Order, as provided in Article 314 (Accountability of Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms, are as follows:

- (i) cases where it is necessary to perform an investigation in order to provide explanation for any matter so requested by the representative member (excluding the following cases):
  - (a) cases where the representative member has notified the mutual company of that matter within a reasonable period of time before the day of the member representatives meeting; or
  - (b) cases where it is extremely easy to conduct investigation necessary in order to provide explanation on that matter;
- (ii) cases where giving explanation on the matter so requested by the representative member would be detrimental to the rights of the mutual

- company or any other parties (excluding that representative member);
- (iii) cases where the representative member repeatedly requests explanation on the substantially identical subjects at the member representatives meeting; and
- (iv) beyond the cases stated in the preceding three items, cases where there is any justifiable ground for refraining from giving explanation on the matters so requested by a representative member.

(Minutes)

- Article 23-5 (1) The preparation of minutes of member representatives meeting under Article 318, paragraph (1) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act is as prescribed in this Article.
- (2) The minutes of member representatives meeting must be prepared in writing or by electronic or magnetic records.
  - (3) The minutes of member representatives meeting must contain the following matters:
    - (i) the date and place where the member representatives meeting was held (including the method of attendance, if directors (or directors who are audit and supervisory committee members or other directors, in the case of a company with audit and supervisory committee; the same applies in item (iv)), executive officers, accounting advisors, company auditors, financial auditors or representative members not present at the place attended the member representatives meeting);
    - (ii) the substance of the proceedings of the member representatives meeting, as well as the results;
    - (iii) if, pursuant to any of the following provisions, any opinion or remark was presented at the member representatives meeting, the outline of the opinions or remarks:
      - (a) Article 342-2, paragraph (1) (Statement of Opinions on the Election of a Director Who Is an Audit and Supervisory Committee Member) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act;
      - (b) Article 342-2, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act;
      - (c) Article 342-2, paragraph (4) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act;
      - (d) Article 345, paragraph (1) (Statement of Opinions on Election of Accounting Advisors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act (including as applied mutatis mutandis pursuant to Article 345, paragraphs (4) and (5) of the Companies Act as

- further applied mutatis mutandis pursuant to Article 53-11 of the Act);
- (e) Article 345, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 of the Act (including as applied mutatis mutandis pursuant to Article 345, paragraphs (4) and (5) of the Companies Act as further applied mutatis mutandis pursuant to Article 53-11 of the Act);
  - (f) Article 361, paragraph (5) (Remuneration for Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 of the Act;
  - (g) Article 361, paragraph (6) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 of the Act;
  - (h) Article 377, paragraph (1) (Statement of Opinions at Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act;
  - (i) Article 379, paragraph (3) (Remunerations for Accounting Advisors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act;
  - (j) Article 384 (Duty to Report to Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
  - (k) Article 387, paragraph (3) (Remunerations for Company Auditors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
  - (l) Article 398, paragraph (1) (Statement of Opinions of Financial Auditors at Annual Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23 of the Act;
  - (m) Article 398, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23 of the Act; and
  - (n) Article 399-5 (Duty to Report to Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (5) of the Act;
  - (iv) the names of directors, executive officers, accounting advisors, company auditors or financial auditors present at the member representatives meeting;
  - (v) if the member representatives meeting was presided over by the chairperson, the name of the chairperson; and
  - (vi) the names of the director who took charge of duties to prepare the minutes.

(Measures for Electronic Provision)

Article 23-5-2 The measures to be specified by Cabinet Office Order, as provided in Article 325-2 (Provisions in the Articles of Incorporation to the Effect that Measures for Electronic Provision Will be Taken) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act

following the deemed replacement of terms, are the measures stated in Article 14-5, paragraph (1), item (i), (b), which are implemented by the method using an automatic public transmission server connected to the internet.

(Matters to be Contained in Notice of Calling When Measures for Electronic Provision are Taken)

Article 23-5-3 The matters to be specified by Cabinet Office Order, as provided in Article 325-4, paragraph (2), item (iii) (Special Provisions on Notice of Convocation of a Shareholders Meeting) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms, are characters, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing measures for electronic provision, which enables the information recipients to inspect the details of information by inputting it into the computers they use and to record the information into the file stored on the computers, and other matters necessary for the information recipients to inspect the contents of the information and record the information in files stored in the computer.

(Matters Not Required to be Stated in Document Containing Matters for Electronic Provision Measures)

Article 23-5-4 (1) The matters to be specified by Cabinet Office Order, as provided in Article 325-5, paragraph (3) (Request for Delivery of Documents) of the Companies Act, as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms, are as follows:

- (i) the matters to be stated in reference documents for member representatives meetings (excluding the following matters):
  - (a) proposals;
  - (b) in connection with the omission of the matters to be stated in reference documents for member representatives meetings (excluding the matters stated in (a)) from a document containing matters for electronic provision measures, if any company auditor, audit and supervisory committee or audit committee raised any objection, that fact;
- (ii) the matters stated or recorded in a business report (excluding the matters stated in the following):
  - (a) matters stated in Article 20-29, paragraph (1), item (ii), (a);
  - (b) in connection with the omission of the matters stated or recorded in a business report (excluding the matters stated in (a)) from a document containing matters for electronic provision measures, if any company auditor, audit and supervisory committee or audit committee raised any

- objection, the relevant fact;
  - (iii) the matters stated or recorded in financial statements (limited to the matters related to the relevant notes to a statement of changes in funds, etc. or a balance sheet or profit and loss statement); and
  - (iv) the matters stated or recorded in consolidated financial statements (limited to the matters related to the relevant notes to a consolidated statement of changes in funds, etc. or a consolidated balance sheet or consolidated profit and loss statement).
- (2) In the case of omitting all or a portion of the matters stated in the following items from a document containing matters for electronic provision measures, the directors must notify the representative members (limited to member representatives receiving the delivery of a document containing matters for electronic provision measures; the same applies below in this paragraph) of the matters respectively prescribed in those items:
- (i) the matters stated in item (ii) of the preceding paragraph: if the company auditor, audit and supervisory committee, or audit committee requests the directors to notify the representative members that the matters stated in the document containing matters for electronic provision measures (limited to matters stated or recorded in the business report) form a part of the matters stated or recorded in the business report audited when preparing an audit report, the relevant fact;
  - (ii) the matters stated in item (iii) of the preceding paragraph: if the company auditor, financial auditor, audit and supervisory committee, or audit committee requests the directors to notify the representative members that the matters stated in the document containing matters for electronic provision measures (limited to the matters stated or recorded in financial statements) form a part of the matters stated or recorded in the financial statements audited when preparing an audit report or financial audit report, the relevant fact; and
  - (iii) the matters stated in item (iv) of the preceding paragraph: if the company auditor, financial auditor, audit and supervisory committee, or audit committee requests the directors to notify the representative members that the matters stated in the document containing matters for electronic provision (limited to the matters stated or recorded in consolidated financial statements) form a part of the matters stated or recorded in the consolidated financial statements audited when preparing an audit report or financial audit report, the relevant fact.

#### (Election of Substitute Officers)

Article 23-6 (1) Election of substitute officers (meaning directors, accounting advisors and company auditors; or directors who are audit and supervisory

committee members or other directors or accounting advisors, in the case of a company with audit and supervisory committee; the same applies below in this Article) under Article 52, paragraph (3) of the Act is as prescribed in this Article.

- (2) When any substitute officer is to be elected in accordance with the resolution provided in Article 52, paragraph (3) of the Act, the following matters must be determined as well:
- (i) that the candidate is to be elected a substitute officer;
  - (ii) when the candidate is to be elected as a substitute outside director (meaning an outside director as provided in Article 51-2 of the Act), that fact;
  - (iii) when the candidate is to be elected as a substitute outside company auditor (meaning an outside company auditor as provided in Article 53-5, paragraph (3) of the Act), that fact;
  - (iv) when the candidate is to be elected as a substitute officer in replacement of one or more specific officers, that fact; and the names of those specific officers (if the officer is an accounting advisor, the accounting advisor's name);
  - (v) when two or more substitute officers are to be elected in replacement of a single officer (if the candidates are elected in replacement of two or more officers, those two or more officers), the priority among the substitute officers; and
  - (vi) if it is necessary to revoke election of a substitute officer before the substitute officer's assumption of office, that fact, as well as the procedure for the revocation.
- (3) Unless otherwise provided for in the articles of incorporation, the resolution related to election of substitute officers is in effect until the time of commencement of the annual general meeting (or the annual member representatives meeting, if a member representatives meeting has been organized) convened for the first time after the adoption of the resolution; provided, however, that this does not preclude the mutual company from shortening the effective term by the resolution of the general meeting (or a member representatives meeting, if the meeting has been organized).

(Person Who Is Unable to Properly Perform Their Duties Due to Mental or Physical Disorder)

Article 23-6-2 The person specified by Cabinet Office Order, as provided in Article 53-2, paragraph (2) of the Act (including as applied mutatis mutandis pursuant to Article 53-5, paragraph (1) and Article 53-26, paragraph (4) of the Act), is a person who is unable to appropriately carry out the cognition, decision-making, and communication necessary for properly performing their duties due to mental impairment.

(Matters to Be Determined by Board of Directors upon Solicitation for  
Subscribers for Bonds)

Article 23-7 The matters to be specified by Cabinet Office Order, as provided in Article 53-14, paragraph (4), item (v) of the Act, are as follows:

- (i) when the determination of the matters stated in the items of Article 61 of the Act which relate to two or more solicitations (meaning solicitations referred to in Article 61 of the Act; the same applies below in this Article) is to be delegated, that fact;
- (ii) the maximum of the aggregate amount of bonds for subscription (meaning bonds for subscription as provided in Article 61 of the Act; the same applies below in this Article) (or, in the case provided in the preceding item, the total of the maximum of the aggregate amount of bonds for subscription related to each solicitation);
- (iii) outline of the matters related to interest rate, such as the maximum of the interest rate of bonds for subscription;
- (iv) outline of the matters related to the amount to be paid in (meaning the amount to be paid in as provided in Article 61, item (ix) of the Act; the same applies below in this item), the minimum of the aggregate amount to be paid in for the bonds for subscription.

(Systems to Ensure Adequacy of Business)

Article 23-8 The systems to be specified by Cabinet Office Order, as provided to in Article 53-14, paragraph (4), item (vi) of the Act, are the following systems at the mutual company:

- (i) system for the preservation and management of information related to the execution of duties of directors of the mutual company;
- (ii) regulations and any other framework for the management of the risk of loss in the mutual company;
- (iii) system to ensure that duties of directors of the mutual company will be executed in an efficient manner;
- (iv) system to ensure that the duties of employees of the mutual company will be executed in compliance with laws and regulations and the articles of incorporation;
- (v) the following systems and other systems to ensure the adequacy of the business of the corporate group constituted by the mutual company and its substantial subsidiary companies:
  - (a) system related to reporting of matters related to the execution of duties of directors, executive officers, members who execute business, persons who are to perform duties referred to in Article 598, paragraph (1) (Special Provisions Where Corporations Are Members Executing Business) of the

- Companies Act of substantive subsidiary companies of the mutual company and other equivalent persons (referred to as the "directors, etc." in (c) and (d)) to that mutual company;
- (b) regulations and any other framework for the management of the risk of loss in substantive subsidiary companies of the mutual company;
  - (c) system to ensure that duties of directors, etc. of substantive subsidiary companies of the mutual company are executed efficiently; and
  - (d) system to ensure that the execution of duties by directors, etc. and employees of substantive subsidiary companies of the mutual company is in compliance with laws and regulations and the articles of incorporation;
  - (vi) when a company auditor of the mutual company requested that employees should be assigned to assist the company auditor's duties, the matters related to the employees;
  - (vii) the matters related to impartiality of the employee referred to in the preceding item to the directors of the mutual company;
  - (viii) the matters related to the assurance of the effectiveness of instruction given by company auditors of the mutual company to the employees referred to in item (vi);
  - (ix) the following systems and other systems related to reporting to company auditors of the mutual company:
    - (a) system for reporting from directors, accounting advisors and employees of the mutual company to financial auditors of the mutual company; and
    - (b) system for reporting from directors, accounting advisors, company auditors, executive officers, members who execute business, persons who are to perform duties referred to in Article 598, paragraph (1) of the Companies Act, other equivalent persons, and employees of substantive subsidiary companies of the mutual company, or persons who received a report from these persons, to company auditors of the mutual company;
  - (x) system to ensure that a person who reported under the preceding item is not treated disadvantageously on the grounds that the person made the reporting;
  - (xi) the matters related to the policies on the procedures for the advanced payment or reimbursement of costs arising from the execution of duties of company auditors of the mutual company, and on the processing of other costs or obligations arising from the execution of the duties; and
  - (xii) beyond the systems stated in item (vi) through the preceding item, system to ensure efficient auditing by company auditors.

(Policy on Decisions on the Content of the Remunerations for Individual Directors)

Article 23-8-2 (1) The matters to be specified by Cabinet Office Order, as

provided in Article 361, paragraph (7) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-15 of the Act following the deemed replacement of terms, are as follows:

- (i) the policy on decisions on the amount of remunerations (limited to those that are neither the performance-linked remunerations prescribed in the following item nor the non-monetary remunerations, etc. prescribed in item (iii)) for individual directors (excluding directors who are audit and supervisory committee members; the same applies below in this Article) or its calculation method;
- (ii) if, among the remunerations for individual directors, there are remunerations of which the amount or number is calculated based on an index of profits, index of market price of shares, or any other index of performance of the mutual company or its associated company (meaning a substantial subsidiary company and related company of the mutual company (meaning a company, etc. (excluding a substantial subsidiary company), in cases where the mutual company can exert material influence on the decision-making relating to its financial and business policies); the same applies below in this item, Article 24-3, paragraph (6), item (ii), Article 25-8 and Article 29-5, paragraph (4)) (the index is referred to below as a "performance index" in this item; and the remunerations are referred to as "performance-linked remunerations" below in this item), the content of the performance index relating to the performance-linked remunerations and the policy on decisions on the method for calculating the amount or number of the performance-linked remunerations;
- (iii) if, among the remunerations for individual directors, there are remunerations other than cash (referred to below as "non-monetary remunerations, etc." in this paragraph), the content of the non-monetary remunerations, etc. and the policy on decisions on the amount or number of the non-monetary remunerations, etc. or its calculation method;
- (iv) the policy on decisions on the proportion of the amount of the remunerations referred to in item (i), the amount of performance-linked remunerations, or the amount of non-monetary remunerations, etc. to the amount of remunerations of individual directors;
- (v) the policy on decisions on the timing or conditions for the payment of remunerations to directors;
- (vi) if all or a portion of the decisions on the content of the remunerations for individual directors is to be delegated to a director or any other third party, the following matters:
  - (a) the name of the delegated person or that person's position and duty at the mutual company;
  - (b) the details of the authority delegated to the person referred to in (a);

- (c) if a measure is to be taken in order to ensure the appropriate exercise of the authority referred to in (b) by the person referred to in (a), the details of the measure;
  - (vii) the method for determining the content of the remunerations for individual directors (excluding the matters stated in the preceding item); and
  - (viii) beyond the matters stated in the preceding items, important matters regarding decisions on the content of the remunerations for individual directors.
- (2) The "cases where a mutual company can exert material influence on the decision-making relating to financial and business policies" as provided to in item (ii) of the preceding paragraph are as follows (excluding the cases where the mutual company is found as obviously unable to exert any material influence on the decision-making relating to the financial or business policies of the company etc., in light of their financial or business relationship):
- (i) the cases where the ratio of the number of voting rights owned on the mutual company's own account (including the account of its substantial subsidiary company; the same applies below in this paragraph) to the total number of voting rights in the company, etc. (excluding any of the following companies, etc. which is found to be unable to exert any material influence on the decision-making relating to the financial or business policies of the company, etc.; the same applies below in this paragraph) is not less than 20 percent:
    - (a) a company, etc. that is subject to an order commencing rehabilitation proceedings under the Civil Rehabilitation Act;
    - (b) a stock company that is subject to an order commencing reorganization proceedings under the Corporate Reorganization Act;
    - (c) a company, etc. that is subject to an order commencing bankruptcy proceedings under the Bankruptcy Act;
    - (d) any other company, etc. equivalent to any company, etc. stated in (a) through (c) above;
  - (ii) the cases where the ratio of number of voting rights owned on the mutual company's own account to the total number of voting rights in the company, etc. is not less than 15 percent (excluding the case stated in the preceding item), and where any of the following requirements is met:
    - (a) that any of the following persons (limited to the persons who can exert influence on the decision-making relating to financial and business policies of the company, etc.) has assumed the position of representative director, director or any other equivalent position of the company, etc.:
      1. the mutual company's officer;
      2. a member who takes charge of execution of the mutual company's business;

- 3. the mutual company's employee;
- 4. a person formerly held the position stated in any of 1. through 3. above;
- (b) that any important loan has been extended from the mutual company to the company, etc.;
- (c) that any important technology is furnished from the mutual company to the company, etc.;
- (d) that any important business transactions such as distribution or supply have been entered into between the mutual company and the company, etc.;
- (e) that there exists any other fact indicating that the mutual company can exert material influence on the decision-making relating to the financial and business policies of the company, etc.;
- (iii) the cases where the ratio of the number of self-owned voting rights (meaning the total of the number of the following voting rights) to the total number of voting rights in the company, etc. is not less than 20 percent (including the cases where the voting rights are not owned on the mutual company's own account, and excluding the case stated in the preceding two items), and where any of the requirements stated in (a) through (e) of the preceding item is met:
  - (a) the voting rights owned on the mutual company's own account;
  - (b) the voting rights owned by any party having a close relationship with the mutual company in terms of equity contribution, personnel affairs, funding, technology, business transactions, etc. and therefore is likely to exercise its voting rights in concert with the intention of the mutual company;
  - (c) the voting rights owned by any persons who have given their consent to exercising their voting rights in concert with the intention of the mutual company; and
- (iv) the cases where the mutual company and a party independent of the mutual company jointly takes control over the company, etc., pursuant to the contract concluded among them or any other similar agreement.

(Minutes of Meeting of Board of Directors)

- Article 23-9 (1) The preparation of minutes of a meeting of the board of directors under Article 369, paragraph (3) (Resolution at Board of Directors Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 of the Act is as prescribed in this Article.
- (2) The minutes of a board of directors meeting must be prepared in writing or by electronic or magnetic records.
  - (3) The minutes of a board of directors meeting must contain the following matters:
    - (i) the date and place where the board of directors meeting was held (including

- the method of attendance, if directors (or directors who are audit and supervisory committee members and other directors, in the case of a company with audit and supervisory committee), executive officers, accounting advisors, company auditors or financial auditors not present at the place attended the meeting);
- (ii) when the board of directors meeting falls under the categories under Article 373, paragraph (2) (Resolution of Board of Directors by Special Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 of the Act, that fact;
  - (iii) when the board of directors meeting falls under any of the following categories, that fact:
    - (a) a meeting called in response to the request from the directors, pursuant to Article 366, paragraph (2) (Convener) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 of the Act;
    - (b) a meeting called by the director pursuant to the provisions of Article 366, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 of the Act;
    - (c) a meeting called in response to the request from the company auditors, pursuant to Article 383, paragraph (2) (Obligation to Attend Board of Directors Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
    - (d) a meeting called by a company auditor pursuant to the provisions of Article 383, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
    - (e) a meeting called by an audit and supervisory committee member elected by the audit and supervisory committee pursuant to the provisions of Article 399-14 (Call of the Board of Directors Meeting by Audit and Supervisory Committee) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-3, paragraph (7) of the Act;
    - (f) a meeting called by a person elected from among the members of nominating committee, etc. pursuant to the provisions of Article 417, paragraph (1) (Operations of the Board of Directors of Companies with a Nominating Committee) of the Companies Act as applied mutatis mutandis pursuant to Article 53-30, paragraph (5) of the Act;
    - (g) a meeting called in response to the request from an executive officer, as under the first sentence of Article 417, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-30, paragraph (5) of the Act; or
    - (h) a meeting called by an executive officer pursuant to the provisions of the second sentence of Article 417, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-30, paragraph (5) of the

- Act;
- (iv) the substance of the proceedings of the board of directors meeting, as well as the results;
  - (v) the name of the directors, if the directors have any special interest in the matters to be resolved;
  - (vi) if, pursuant to any of the following provisions, any opinion or remark was presented at the board of directors meeting, the outline of the details of the opinion or remark:
    - (a) Article 365, paragraph (2) (Restrictions on Competition and Transactions with Companies with Board of Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 of the Act (including as applied mutatis mutandis pursuant to Article 419, paragraph (2) (Executive Officer's Duty to Report to Audit Committee Members) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 of the Act);
    - (b) Article 376, paragraph (1) (Attendance at Board of Directors Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act;
    - (c) Article 382 (Duty to Report to Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
    - (d) Article 383, paragraph (1) (Obligation to Attend Board of Directors Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act;
    - (e) Article 399-4 (Duty to Report to Board of Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (5) of the Act;
    - (f) Article 406 (Duty to Report to Board of Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-28, paragraph (5) of the Act;
    - (g) Article 430-2, paragraph (4) (Indemnity Agreements) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-38 of the Act following the deemed replacement of terms;
  - (vii) the names of executive officers, accounting advisors or financial auditors present at the board of directors meeting; and
  - (viii) if the board of directors meeting was presided over by the chairperson, the name of the chairperson.
- (4) In the case referred to in the following items, the minutes of the board of directors meeting are to contain the matters respectively stated in the relevant items:
- (i) when, pursuant to the provisions of Article 370 (Omission of Resolution at Board of Directors Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 of the Act, the resolution of the board of

directors meeting is deemed to have been made: the following matters:

- (a) the details of the matters which are deemed to have been resolved at the board of directors meeting;
  - (b) the name of the director who proposed the matter referred to in item (a);
  - (c) the day when the resolution of the board of directors meeting is deemed to have been made; and
  - (d) the name of the director who took charge of the duty of the preparation of the minutes;
- (ii) when, pursuant to the provisions of Article 372, paragraph (1) (Omission of Report to Board of Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 of the Act (including the cases where applied following the deemed replacement of terms pursuant to the provisions of Article 372, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 of the Act), the requirement of reporting to the board of directors is deemed to have been exempted: the following matters:
- (a) the matters which are exempted from the requirement of reporting to the board of directors;
  - (b) the day when the requirement of reporting to the board of directors was exempted; and
  - (c) the name of the director who took charge of the duty of preparation of the minutes.

(Details of Accounting Advisor's Report)

Article 23-10 An accounting advisor's report to be prepared pursuant to the provisions of Article 374, paragraph (1) (Authority of Accounting Advisors) as applied mutatis mutandis pursuant to Article 53-17 of the Act must contain the following matters:

- (i) major agreement between the accounting advisor and the company with accounting advisor, in relation to performance of accounting advisor's duties;
- (ii) among the following documents (referred to below as "accounting documents" in this Section), the types of the documents prepared by accounting advisors jointly with the directors or executive officers:
  - (a) the balance sheet as of the date of incorporation;
  - (b) financial statements for each business year, as well as the supplementary schedules;
  - (c) consolidated financial statements;
- (iii) any accounting principles and procedures and accounting indication methods adopted for preparation of accounting documents and any other matters that serve as the basis for preparation of accounting documents, which are listed in the following items (excluding the matters with little

significance):

- (a) the valuation basis and valuation method for assets;
- (b) the depreciation method for fixed assets;
- (c) standards for recognition of allowances;
- (d) standards for recognition of profit and expenses;
- (e) any other material matters that serve as the basis for preparation of accounting documents;
- (iv) types of materials used for preparation of the accounting documents, and any other process or method of preparation;
- (v) when the materials provided in the preceding item fall under any of the following, that fact and the reasons for that:
  - (a) that the preparation of the materials was substantially delayed;
  - (b) that any material matters related to the materials contained any false information;
- (vi) if the materials necessary for preparation of the accounting documents have not been prepared or have not been preserved in an appropriate manner, that fact and reasons for that;
- (vii) the results of collection of report and investigation conducted by the accounting advisor for the preparation of the accounting documents; and
- (viii) the major items deliberated between the accounting advisor and directors or executive officers upon preparation of the accounting documents.

#### (Preservation of Financial Statements)

- Article 23-11 (1) If, pursuant to the provisions of Article 378, paragraph (1) (Keeping and Inspection of Financial Statements by Accounting Advisors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act, an accounting advisor designates the place to keep the documents stated in Article 378, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act (referred to below as "place for keeping accounting advisor's report, etc."), the designation is as prescribed in this Article.
- (2) An accounting advisor must designate the place for keeping accounting advisor's report, etc. from among the places of offices of the certified public accountant (including a registered foreign certified public accountant as provided in Article 16-2, paragraph (5) (Special Provisions for Persons Qualified in Foreign States) of the Certified Public Accountants Act (Act No. 103 of 1948); the same applies below), auditing firm, certified public tax accountant or certified public tax accountant firm, who is the accounting advisor (if the accounting advisor is a person who works at the certified public tax accountant office of the certified public tax accountant or belongs to the certified public tax accountant firm, and is engaged in the business as provided

in Article 2, paragraph (3) (Business of Certified Tax Accountant) of the Certified Public Tax Accountant Act (Act No. 237 of 1951) as an assistant of a certified public tax accountant or certified public tax accountant firm, from among the places of offices of the certified public tax accountant or certified public tax accountant firm where that person works).

- (3) An accounting advisor must designate the place other than the principal or secondary office of the company with accounting advisor, as the place for keeping accounting advisor's report, etc.
- (4) If an accounting advisor has designated the place for keeping accounting advisor's report, etc., the accounting advisor must without delay notify the company with financial auditors of that place.

#### (Inspection of Financial Statements)

Article 23-12 The cases to be specified by Cabinet Office Order, as provided in Article 378, paragraph (2) (Keeping and Inspection of Financial Statements by Accounting Advisors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17 of the Act following the deemed replacement of terms, are the case of non-business hour of the certified public accountant, auditing firm, certified public tax accountant or certified public tax accountant firm who is the accounting advisor.

#### (Preparation of Audit Report)

- Article 23-13 (1) The matters to be specified by Cabinet Office Order, as provided in Article 53-18, paragraph (1) of the Act, are as prescribed in this Article.
- (2) A company auditor must, for the performance of the company auditor's duties in an appropriate manner, make an effort to communicate with the following persons so as to gain information and to improve environment for auditing. In this case, the director or the board director must pay due regard to improvement of systems necessary for performance of company auditors' duties:
    - (i) directors, accounting advisors and employees of the mutual company;
    - (ii) directors, accounting advisors, executive officers, members who execute business, persons who are to perform the duties under Article 598, paragraph (1) (Special Provisions Where Corporations Are Members Executing Business) of the Companies Act or other equivalent persons, and employees of the substantial subsidiary company of the mutual company; and
    - (iii) any other person with whom the company auditor should communicate for the performance of the duties in an appropriate manner.
  - (3) The provisions of the preceding paragraph must not be interpreted to permit creation and continuance of any relationship which would hinder the company

auditor from maintaining the company auditor's fair and unbiased attitude and impartial status.

- (4) A company auditor must, for the performance of the company auditor's duties and on an as-needed basis, make an effort to communicate with, and exchange information with, other company auditors of the mutual company, company auditors of the mutual company's substantial subsidiary company, or any other persons equivalent to the aforementioned persons.

(Documents to Be Investigated by Company Auditors)

Article 23-14 The documents to be specified by Cabinet Office Order, as provided in Article 384 (Duty to Report to Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-20 of the Act following the deemed replacement of terms are the materials such as electronic or magnetic records.

(Minutes of Board of Company Auditors Meeting)

- Article 23-15 (1) The preparation of minutes of board of company auditors meeting under Article 393, paragraph (2) (Resolution of Board of Company Auditors Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-21 of the Act is as prescribed in this Article.
- (2) The minutes of board of company auditors meeting must be prepared in writing or by electronic or magnetic records.
- (3) The minutes of board of company auditors meeting must contain the following matters:
- (i) the date and place where the board of company auditors meeting was held (including the method of attendance, if company auditors, directors, accounting advisors or financial auditors not present at the place attended the board of company auditors meeting);
  - (ii) the substance of the proceedings of the board of company auditors meeting, as well as the results;
  - (iii) if, pursuant to any of the following provisions, any opinion or remark was presented at the board of company auditors meeting, the outline of the opinion or remark:
    - (a) Article 357, paragraph (1) (Director's Duty to Report) of the Companies Act applied following the deemed replacement of terms pursuant to the provisions of paragraph (2) of the same Article as applied mutatis mutandis pursuant to Article 53-15 and Article 180-8, paragraph (4) of the Act;
    - (b) Article 375, paragraph (1) (Accounting Advisor's Duty to Report) of the Companies Act applied following the deemed replacement of terms pursuant to the provisions of paragraph (2) of the same Article as applied

- mutatis mutandis pursuant to Article 53-17 of the Act; and
  - (c) Article 397, paragraph (1) (Report to Company Auditors) of the Companies Act applied following the deemed replacement of terms pursuant to the provisions of paragraph (3) of the same Article as applied mutatis mutandis pursuant to Article 53-23 of the Act;
  - (iv) the names of directors, accounting advisors or financial auditors present at the board of company auditors meeting; and
  - (v) if the board of company auditors meeting was presided over by the chairperson, the name of the chairperson.
- (4) If, pursuant to the provisions of Article 395 (Omission of Report to Board of Company Auditors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-21 of the Act, the requirement of reporting to the board of company auditors was exempted, the minutes of board of company auditors meeting is to contain the following matters:
- (i) the matters which are exempted from the requirement of reporting to the board of company auditors;
  - (ii) the day when the requirement of reporting to the board of company auditors was exempted; and
  - (iii) the name of the company auditor who took charge of the duty of the preparation of the minutes.

(Preparation of Accounting Audit Report)

- Article 23-16 (1) The matters to be specified by Cabinet Office Order, as provided in the second sentence of Article 53-22, paragraph (1) of the Act, are as prescribed in this Article.
- (2) A financial auditor must, for the performance of the financial auditor's duties in an appropriate manner, make an effort to communicate with the following persons so as to gain information and to improve environment for auditing; provided, however, that this must not be interpreted to allow creation or continuance of any relationship which would hinder the company auditor from maintaining the financial auditor's fair and unbiased attitude and impartial status:
- (i) directors, accounting advisors and employees of the mutual company;
  - (ii) directors, accounting advisors, executive officers, members who execute business, persons who are to perform the duties under Article 598, paragraph (1) (Special Provisions Where Corporations Are Members Executing Business) of the Companies Act or other equivalent persons, and employees; and
  - (iii) any other person with whom the financial auditor should communicate for the performance of the duties in an appropriate manner.

(Items Subject to Reporting by Audit and Supervisory Committee Members)

Article 23-16-2 The items which directors intend to submit to the general meeting (or a member representatives meeting, if it has been organized) as provided in Article 399-5 (Duty to Report to Shareholders Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (5) of the Act are electronic or magnetic records and other materials.

(Minutes of Meeting of Audit and Supervisory Committee)

Article 23-16-3 (1) The preparation of minutes of a meeting of audit and supervisory committee under Article 399-10, paragraph (3) (Resolution at Audit and Supervisory Committee Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (6) of the Act is as prescribed in this Article.

- (2) The minutes of a meeting of audit and supervisory committee must be prepared in writing or by electronic or magnetic records.
- (3) The minutes of a meeting of audit and supervisory committee must contain the following matters:
  - (i) the date and place where the meeting of audit and supervisory committee was held (including the method of attendance, if audit and supervisory committee members, directors (excluding directors who are audit and supervisory committee members), accounting advisors or financial auditors not present at the place attended the meeting);
  - (ii) the substance of the proceedings of the meeting of audit and supervisory committee, as well as the results;
  - (iii) the names of the audit and supervisory committee members, if the audit and supervisory committee members have any special interest in the matters to be resolved;
  - (iv) if, pursuant to any of the following provisions, any opinion or remark was presented at the meeting of audit and supervisory committee, the outline of the details of the opinion or remark:
    - (a) Article 357, paragraph (1) (Director's Duty to Report) of the Companies Act applied following the deemed replacement of terms pursuant to the provisions of paragraph (3) of the same Article as applied mutatis mutandis pursuant to Article 53-15 of the Act;
    - (b) Article 375, paragraph (1) (Accounting Advisor's Duty to Report) of the Companies Act applied following the deemed replacement of terms pursuant to the provisions of paragraph (3) of the same Article as applied mutatis mutandis pursuant to Article 53-17 of the Act; and
    - (c) Article 397, paragraph (1) (Report to Company Auditors) of the Companies Act applied following the deemed replacement of terms pursuant to the provisions of paragraph (4) of the same Article as applied

- mutatis mutandis pursuant to Article 53-23 of the Act;
- (v) the names of the directors (excluding directors who are audit and supervisory committee members), accounting advisors or financial auditors present at the meeting of audit and supervisory committee; and
  - (vi) if the meeting of audit and supervisory committee was presided over by the chairperson, the name of the chairperson.
- (4) If, the requirement of reporting to the audit and supervisory committee was exempted pursuant to the provisions of Article 399-12 (Omission of Report to Audit and Supervisory Committee) of the Companies Act as applied mutatis mutandis pursuant to Article 53-23-2, paragraph (6) of the Act, the minutes of the meeting of audit and supervisory committee are to contain the following matters:
- (i) the matters which were exempted from the requirement of reporting to the audit and supervisory committee;
  - (ii) the day when the requirement of reporting to the audit and supervisory committee was exempted; and
  - (iii) the name of the audit and supervisory committee member who took charge of the duty of the preparation of the minutes.

(Systems to Ensure Adequacy of Business)

Article 23-16-4 (1) The matters to be specified by Cabinet Office Order, as provided in Article 53-23-3, paragraph (1), item (i), (b) of the Act, are as follows:

- (i) the matters related to directors and employees who are to assist the duties of the audit and supervisory committee of the mutual company;
- (ii) the matters related to independence of the directors and employees referred to in the preceding item to other directors of the mutual company (excluding directors who are audit and supervisory committee members);
- (iii) the matters related to the assurance of the effectiveness of instruction given by the audit and supervisory committee of the mutual company to the directors and employees referred to in item (i);
- (iv) the following systems and other systems related to reporting to the audit and supervisory committee of the mutual company:
  - (a) system for reporting from directors (excluding directors who are audit and supervisory committee members), accounting advisors and employees of the mutual company to the audit and supervisory committee of the mutual company; and
  - (b) system for reporting from directors, accounting advisors, company auditors, executive officers, members who execute business, persons who are to perform duties referred to in Article 598, paragraph (1) (Special Provisions Where Corporations Are Members Executing Business) of the

- Companies Act, other equivalent persons, and employees of substantive subsidiary companies of the mutual company, or persons who received a report from these persons, to the audit and supervisory committee of the mutual company;
- (v) system to ensure that a person who reported under the preceding item is not treated disadvantageously on the grounds that the person made the reporting;
  - (vi) the matters related to the policies on the procedures for the advanced payment or reimbursement of costs arising from the execution of duties (limited to the execution of duties related to the audit and supervisory committee) of audit and supervisory committee members of the mutual company, and on the processing of other costs or obligations arising from the execution of the duties; and
  - (vii) any other system to ensure efficient auditing by the audit and supervisory committee of the mutual company.
- (2) The systems to be specified by Cabinet Office Order, as provided in Article 53-23-3, paragraph (1), item (i), (c) of the Act, are the following systems at the mutual company:
- (i) system for the preservation and management of information related to the execution of duties of directors of the mutual company;
  - (ii) regulations and any other framework for the management of the risk of loss in the mutual company;
  - (iii) system to ensure that duties of directors of the mutual company will be executed in an efficient manner;
  - (iv) system to ensure that the duties of employees of the mutual company will be executed in compliance with laws and regulations and the articles of incorporation; and
  - (v) the following systems and any other system to ensure the adequacy of the business of the corporate group constituted by the mutual company and its substantive subsidiary companies:
    - (a) system related to reporting of matters relating to the execution of duties of directors, executive officers, members who execute business, persons who are to perform duties referred to in Article 598, paragraph (1) of the Companies Act of substantive subsidiary companies of the mutual company and other equivalent persons (referred to as "directors, etc." in (c) and (d)) to that mutual company;
    - (b) regulations and any other framework for the management of the risk of loss in substantive subsidiary companies of the mutual company;
    - (c) system to ensure that duties of directors, etc. of substantive subsidiary companies of the mutual company are executed efficiently; and
    - (d) system to ensure that the execution of duties by directors, etc. and

employees of substantive subsidiary companies of the mutual company is in compliance with laws and regulations and the articles of incorporation.

(Matters to Be Determined by Board of Directors upon Solicitation for Subscribers for Bonds)

Article 23-16-5 The matters to be specified by Cabinet Office Order, as provided in Article 53-23-3, paragraph (4), item (v) of the Act, are as follows:

- (i) when the determination of the matters stated in the items of Article 61 of the Act which relate to two or more solicitations (meaning solicitations as provided in Article 61 of the Act; the same applies below in this Article) is to be delegated, that fact;
- (ii) the maximum of the aggregate amount of bonds for subscription (meaning bonds for subscription as provided in Article 61 of the Act; the same applies below in this Article) (or, in the case provided in the preceding item, the total of the maximum of the aggregate amount of bonds for subscription related to each solicitation);
- (iii) outline of the matters related to interest rate, such as the maximum of the interest rate of bonds for subscription; and
- (iv) outline of the matters related to the amount to be paid in (meaning the amount to be paid in as provided in Article 61, item (ix) of the Act; the same applies below in this item), the minimum of the aggregate amount to be paid in for the bonds for subscription.

(Minutes of Meeting of Nominating Committee)

Article 23-17 (1) The preparation of minutes of a meeting of nominating committee, etc. under Article 412, paragraph (3) (Resolution at Nominating Committee Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 53-28, paragraph (6) of the Act is as prescribed in this Article.

- (2) The minutes of a meeting of nominating committee, etc. must be prepared in writing or by electronic or magnetic records.
- (3) The minutes of a meeting of nominating committee, etc. must contain the following matters:
  - (i) the date and place where the meeting of nominating committee, etc. was held (including the method of attendance, if directors, executive officers, accounting advisors or financial auditors not present at the place attended the committee meeting);
  - (ii) the substance of the proceedings of the meeting of nominating committee, etc., as well as the results;
  - (iii) if any committee member has a special interest in the matter to be resolved, the name of the committee member;

- (iv) if the nominating committee, etc. is an audit committee, and any opinion or remark was presented at the board of company auditors meeting, the outline of the details of the opinions or remarks:
    - (a) an opinion or remark presented at the audit committee pursuant to the provisions of Article 375, paragraph (1) (Accounting Advisor's Duty to Report) of the Companies Act, applied following the deemed replacement of terms pursuant to the provisions of paragraph (4) of the same Article as applied mutatis mutandis pursuant to Article 53-17 of the Act;
    - (b) an opinion or remark presented at the audit committee pursuant to the provisions of Article 397, paragraph (1) (Report to Company Auditors) of the Companies Act, applied following the deemed replacement of terms pursuant to the provisions of paragraph (5) of the same Article as applied mutatis mutandis pursuant to Article 53-23 of the Act;
    - (c) the opinions or remarks for the report, if the report to audit committee members to be made pursuant to the provisions of Article 419, paragraph (1) (Executive Officer's Duty to Report to Audit Committee Members) of the Companies Act as applied mutatis mutandis pursuant to Article 53-32 of the Act was made at the audit committee meeting;
  - (v) the names of directors, executive officers, accounting advisors or financial auditors present at the meeting of nominating committee, etc. (excluding directors who are members of the nominating committee, etc.); and
  - (vi) if the meeting of nominating committee, etc. was presided over by the chairperson, the name of the chairperson.
- (4) If, pursuant to the provisions of Article 414 (Omission of Report to Nominating Committee Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 53-28, paragraph (6) of the Act, the requirement of reporting to the meeting of nominating committee, etc. is exempted, the minutes of the meeting of nominating committee, etc. are to contain the following matters:
- (i) the matters which are exempted from the requirement of reporting to the nominating committee, etc.;
  - (ii) the day when the requirement of reporting to the nominating committee, etc. was exempted; and
  - (iii) the name of the committee member who took charge of the duty of the preparation of the minutes.

(Systems to Ensure Adequacy of Business)

- Article 23-18 (1) The systems to be specified by Cabinet Office Order, as provided in Article 53-30, paragraph (1), item (i), (b) of the Act, are as follows:
- (i) the matters related to directors and employees who are to assist the duties of the audit committee of the mutual company;

- (ii) the matters related to impartiality of the directors and employees referred to in the preceding item to the executive officers of the mutual company;
  - (iii) the matters related to the assurance of the effectiveness of instruction given by the audit committee of the mutual company to the directors and employees referred to in item (i);
  - (iv) the following systems and any other system of reporting to the audit committee of the mutual company:
    - (a) system for reporting from directors (excluding directors who are audit committee members), executive officers, accounting advisors and employees of the mutual company to the audit committee of the mutual company; and
    - (b) system for reporting from directors, accounting advisors, company auditors, executive officers, members who execute business, persons who are to perform the duties referred to in Article 598, paragraph (1) (Special Provisions Where Corporations Are Members Executing Business) of the Companies Act, other equivalent persons, and employees of a substantive subsidiary companies of the mutual company, or persons who received a report from these persons to the audit committee of the mutual company;
  - (v) system to ensure that a person who reported under the preceding item is not treated disadvantageously on the grounds that the person made the reporting;
  - (vi) the matters related to the policies on the procedures for the advanced payment or reimbursement of costs arising from the execution of duties (limited to the execution of duties related to the audit committee) of audit committee members of the mutual company, and on the processing of other costs or obligations arising from the execution of the duties; and
  - (vii) any other system to ensure efficient auditing by the audit committee of the mutual company.
- (2) The systems to be specified by Cabinet Office Order, as provided in Article 53-30, paragraph (1), item (i), (e) of the Act, are the following systems at the mutual company:
- (i) a system for the preservation and management of information related to the execution of duties by executive officers of the mutual company;
  - (ii) regulations and any other framework for the management of the risk of loss in the mutual company;
  - (iii) system to ensure that duties of executive officers of the mutual company will be executed in an efficient manner;
  - (iv) system to ensure that the duties of employees of the mutual company will be executed in compliance with laws and regulations and the articles of incorporation; and
  - (v) the following systems and any other system to ensure the adequacy of the business of the corporate group constituted by the mutual company and its

substantial subsidiary companies:

- (a) system related to reporting of matters relating to the execution of duties of directors, executive officers, members who execute business, persons who are to perform duties referred to in Article 598, paragraph (1) of the Companies Act of substantive subsidiary companies of the mutual company and other equivalent persons (referred to as "directors, etc." in (c) and (d)) to that mutual company;
- (b) regulations and any other framework for the management of the risk of loss in substantive subsidiary companies of the mutual company;
- (c) system to ensure that duties of directors, etc. of substantive subsidiary companies of the mutual company are executed efficiently; and
- (d) system to ensure that the execution of duties by directors, etc. and employees of substantive subsidiary companies of the mutual company is in compliance with laws and regulations and the articles of incorporation.

(Method of Calculation of Amount of Remuneration)

Article 23-19 The amount to be calculated in accordance with the method specified by the Cabinet Office Order, as provided in Article 425, paragraph (1), item (i) (Partial Exemption from Liability) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 of the Act following the deemed replacement of terms, is the total of the following amounts:

- (i) the highest of the total (if the period of the relevant business year is not one year, the annualized total amount) of the amount of property benefit (excluding those specified in the following item) paid or payable in a business year (limited to the business year including the date specified in (a) through (c) in accordance with the categories of cases as respectively stated in (a) through (c), and each business year immediately before that business year) by a mutual company to officers, etc. during their terms of offices, such as remuneration, bonuses or any other type of consideration for execution of duties (including the remuneration, bonuses or any other type of consideration for execution of duties of a director, executive officer, manager or any other employee, if the officer, etc. concurrently assumes the office of a director, executive officer, manager or any other employee of the mutual company):
  - (a) if a resolution of the general meeting referred to in Article 425, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 of the Act following the deemed replacement of terms (or the member representatives meeting, if it has been organized; the same applies below in this item) is adopted: the day of resolution of the general meeting;
  - (b) if a resolution of the board of directors meeting exempting the liabilities was made pursuant to the provisions of the articles of incorporation as

referred to in Article 426, paragraph (1) (Provisions of Articles of Incorporation on Exemption by Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 of the Act: the day of the resolution;

(c) if a contract under Article 427, paragraph (1) (Agreement Limiting Liability) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 of the Act was concluded: the day of the occurrence of the fact which gives rise to the liability (if there are two or more days, the latest day);

(ii) the amount obtained by dividing the amount stated in (a) by the number stated in (b):

(a) the total of the following amounts:

1. the amount of retirement bonus received by the officer, etc. from the mutual company;
2. if the officer, etc. concurrently held the position of director, executive officer, manager or any other employee of the mutual company, the amount of the portion paid as consideration for execution of duties for the period of concurrent assumption of the position of the officer, etc., from among the retirement bonuses received as the director or executive officer or the retirement allowance received as the manager or any other employee; and
3. the amount of property benefit having the nature of the benefit stated in 1. or 2. above;

(b) the number of years of the tenure of the officer, etc. (the numbers respectively specified in the following, if the officer, etc. falls under any of the position as respectively stated in the following, and the number respectively specified in the following exceeds the relevant number of years of the tenure):

1. representative director or representative executive officer: six;
2. directors (limited to directors who are executive directors, etc. (meaning executive directors, etc. as provided in Article 51-2, item (i) of the Act)) other than representative director; or executive officers other than representative executive officer: four;
3. directors (excluding directors stated in 1. and 2.), accounting advisors, company auditors or financial auditors: two.

(Retirement Bonuses to Be Received after Resolution of Exemption of Liabilities)

Article 23-20 The property benefit to be specified by Cabinet Office Order, as provided in Article 425, paragraph (4) (Partial Exemption from Liability) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 of the

Act (including as applied mutatis mutandis pursuant to Article 426, paragraph (8) (Provisions of Articles of Incorporation on Exemption by Directors) and Article 427, paragraph (5) (Contracts for Limitation of Liability) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 of the Act), is as follows:

- (i) retirement bonuses;
- (ii) if the officer, etc. concurrently held the position of director or executive officer of the mutual company, the retirement bonuses received as the director or executive officer;
- (iii) if the officer, etc. concurrently held the position of the manager or any other employee of the mutual company, the amount of the portion paid as consideration for execution of duties for the period of concurrent assumption of the position of the officer, from among the retirement allowance received as the manager or any other employee;
- (iv) the amount of property benefit having the nature of the benefit stated in the preceding three items.

(Insurance Contracts Excluded from Officer, etc. Liability Insurance Contracts)  
Article 23-21 The insurance contracts to be specified by Cabinet Office Order, as provided in Article 430-3, paragraph (1) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-38 of the Act following the deemed replacement of terms, are as follows:

- (i) an insurance contract of which insured persons include a mutual company that concludes an insurance contract with the insurer, and which is concluded for the main purpose of the insurer compensating for loss or damage that may be incurred by the mutual company as a result of the mutual company assuming liability to compensate for loss or damage caused to a third party in connection with its business or the mutual company becoming subject to a claim for the liability; and
- (ii) an insurance contract concluded for the purpose of the insurer compensating for loss or damage that may be incurred by an officer, etc. as a result of the officer, etc. assuming liability to compensate for loss or damage caused to a third party or the officer, etc. becoming subject to a claim for the liability (excluding loss or damage that may be incurred by an officer, etc. as a result of the officer, etc. assuming liability to compensate for loss or damage caused to a third party or the officer, etc. becoming subject to a claim for the liability due to breaching the obligations in the course of duty, or neglecting the duty of the officer, etc.).

**Subsection 2 Accounting**  
**Division 1 Financial Statements**

(Consideration of Accounting Practices)

Article 24 For the purpose of interpretation of the terms referred to in this Subsection and application of the provisions referred to in this Subsection, business accounting standards that are generally accepted as fair and appropriate and other business accounting practices must be taken into account.

(Preparation of Account Books)

Article 24-2 The accounting books to be prepared by a mutual company pursuant to the provisions of Article 54-2, paragraph (1) of the Act must be prepared by written documents or electronic or magnetic records.

(Assessment of Assets)

Article 24-3 (1) Unless otherwise provided for in the laws and regulations, for the assets to be posted on the accounting book as referred to in the preceding Article, the acquisition value of assets must be posted on the accounting book.

- (2) For assets subject to depreciation, depreciation must be implemented accordingly as of the last day of the business year (if the assets are to be assessed as of the day other than the last day of the business year, as of that day; the same applies below in this Subsection).
- (3) Regarding the assets stated in the following items, if it is required to post the prices respectively specified in those items as of the last day of the business year, the prices must be posted:
- (i) asset whose market value as of the last day of the business year is significantly lower than the acquisition cost as of that time (excluding the cases where it is found likely that the market value of the assets will recover to the level of the acquisition cost as of that time): the market value as of the last day of the business year; or
  - (ii) assets for which any unpredictable underdepreciation has occurred as of the last day of the business year, or assets for which underdepreciation loss is to be recognized as of that date: the amount after due reduction from the acquisition cost of the asset as of that time.
- (4) If any monetary claim will likely to become uncollectible, the estimate of amount uncollectible as of the last day of the business year must be deducted.
- (5) For claims, if the acquisition value of claims differs from the amount of claim, or if any other reasonable ground exists, appropriate prices may be posted.
- (6) For the following assets, the market value or fair price as of the last day of the business year may be posted:
- (i) assets whose market value as of the last day of the business year is lower than the acquisition cost of the asset as of that time;

- (ii) assets with market price (excluding the shares and bonds held to maturity (meaning bond certificates held with an intention to hold them until maturity (limited to bond certificates that were acquired with an intention to hold them until maturity) of the substantial subsidiary companies and affiliated companies); the same applies in Article 86-2, paragraph (3), item (ii) and Article 210-11-3, paragraph (3), item (ii)); and
- (iii) beyond the assets stated in the preceding two items, assets regarding which it is appropriate to post the market value or fair price as of the last day of the business year.

(Valuation of Liabilities)

Article 24-4 (1) Unless otherwise provided for in the laws and regulations, for liabilities to be posted on the accounting books as referred to in Article 24-2, the amount of the obligations must be posted on the accounting books.

(2) For the following liabilities, their market value or fair value as of the last day of the business year may be posted:

- (i) retirement benefit allowance (meaning the allowance to be transferred as of the last day of the business year, when the retirement lump-sum payment and retirement annuity or any other similar benefit is to be paid to the employees after their retirement), and any other allowance to be recorded as the allowance for future expenses or losses (including deduction from profits; the same applies below in this item) by transferring, as the expenses or losses, the portion of the reasonable estimate amount to be borne in the business year;
- (ii) the corporate bonds whose paid-in amount differ from the amount of obligations; and
- (iii) beyond the liabilities stated in the preceding two items, the liabilities regarding which it is appropriate to post their market value or fair price as of the last day of the business year.

(Prohibition of Re-Rating of Assets and Liabilities upon Entity Conversion)

Article 24-5 If a mutual company effects entity conversion (meaning entity conversion as provided in Article 86, paragraph (1) of the Act; the same applies below in this Article), it cannot amend the book value of its assets and liabilities, on the ground of the entity conversion.

(Assessment of Assets and Liabilities upon Absorption-Type Merger)

Article 24-6 (1) A mutual company surviving the absorption-type merger (meaning a mutual company surviving the absorption-type merger as provided in Article 160, item (i) of the Act; the same applies below) must, except for the case where the absorption-type merger (meaning the absorption-type merger as

provided in Article 160 of the Act; the same applies below in this paragraph and the following Article) falls under the acquisition of control (meaning acquisition whereby a mutual company takes control over other companies or businesses of the other companies) by the mutual company surviving the absorption-type merger, and also excluding the cases where market value is to be posted to the property succeeded by absorption-type merger (meaning the property to be succeeded to by a mutual company surviving the absorption-type merger, by absorption-type merger; the same applies below in this paragraph), post the book value immediately before the absorption-type merger of the absorbed company (meaning a absorbed company as provided in Article 169, paragraph (1) of the Act; the same applies in Article 24-12, paragraph (2)) to the property succeeded by absorption-type merger.

- (2) The provisions of the preceding paragraph apply *mutatis mutandis* to the case of the consolidation-type merger (meaning the consolidation-type merger as provided in Article 161, paragraph (1) of the Act; the same applies in the following Article) whereby a mutual company is to be incorporated.

(Goodwill)

Article 24-7 In cases of absorption-type merger, consolidation-type merger or acquisition of business, a mutual company may record appropriate amount of goodwill as its assets or liabilities.

Articles 24-8 through 24-10: Deleted

(Valuation and Translation Adjustments)

Article 24-11 Regarding account books of a mutual company, the following items as well as any other items other than assets, liabilities or funds, etc.

(collectively meaning the funds, application money for funds, reserve for redemption of funds, reassessment reserve, deficit in reserve for redemption of funds, and surplus) may be recorded as the items in the net asset section, if it is found appropriate to do so:

- (i) the valuation difference of the assets or liabilities (including the net assets or liabilities generating from transactions of derivatives; the same applies below in this Article), if market value is to be posted to the assets or liabilities (excluding the amount to be recorded as surplus or losses; and also excluding the valuation difference stated in the following item and item (iii));
- (ii) profit and loss or valuation difference related to the hedge accounting (meaning an accounting method for recognizing, within a same accounting period, the profit and loss related to hedging instruments (meaning a transaction aimed at diminishing the risk of loss from price fluctuations, interest-rate fluctuations and exchange-rate fluctuations related to assets

(including those that are expected to definitely arise from future transactions; the same applies below in this item), liabilities (including those that are expected to definitely arise from future transactions; the same applies below in this item), or derivatives transactions, which are objectively recognized as diminishing the risk of the loss; the same applies below) and the profit and loss related to hedged items (meaning the assets, liabilities, or derivatives transactions that are the subject of hedging instruments); the same applies below), when the hedge accounting is to be applied; and  
(iii) revaluation difference as provided in Article 7, paragraph (1) of the Act on Revaluation of Land (Act No. 34 of 1998).

(Special Provisions for Accounting Concerning Activities under Reorganization Plan)

Article 24-12 (1) Notwithstanding the provisions of this Cabinet Office Order, the matters related to goodwill or net assets to be recorded by the company under reorganization proceedings (meaning a company under reorganization proceedings as provided in Article 169, paragraph (7) (Definitions) of the Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions (Act No. 95 of 1996; referred to below as "Special Act for Reorganization")), or any other matters related to accounting of its activities performed in accordance with the reorganization plan (meaning the reorganization plan as provided in paragraph (2) of the same Article; the same applies below in this paragraph) are as prescribed in the reorganization plan.

(2) When, under the reorganization plan (meaning the reorganization plan as provided in Article 2, paragraph (2) (Definitions) of the Corporate Reorganization Act and Article 169, paragraph (2) of the Special Act for Reorganization; the same applies in Article 90, paragraph (2), Article 168, paragraph (2) and Article 211-64, paragraph (2)), a mutual company (excluding a company under reorganization proceedings as provided in paragraph (7) of the same Article), when effecting an absorption-type merger (meaning an absorption-type merger as provided in Article 270, paragraph (1) (Absorption-type Merger) and Article 361, paragraph (1) (Absorption-type Merger) of the Special Act for Reorganization; the same applies below in this paragraph), allocates fund whose contributors are constituted by the reorganization creditors, etc. (meaning reorganization creditors, etc. prescribed in Article 2, paragraph (13) of the Corporate Reorganization Act and Article 169, paragraph (13) of the Special Act for Reorganization; the same applies below in this paragraph) of the company under reorganization proceedings (meaning a company under reorganization proceedings as provided in Article 2, paragraph (7) of the Corporate Reorganization Act and Article 169, paragraph (7) of the

Special Act for Reorganization; the same applies in Article 90, paragraph (2), Article 168, paragraph (2) and Article 211-64, paragraph (2)), the amount of the funds contributed by the reorganization creditors, etc. is also to be considered as the consideration for absorption-type merger (meaning the properties delivered from the mutual company surviving the absorption-type merger to the members or shareholders of the absorbed company upon the implementation of the absorption-type merger) related to the absorption-type merger.

(Balance Sheet as of Date of Incorporation)

Article 25 The balance sheet to be prepared pursuant to the provisions of Article 54-3, paragraph (1) of the Act must be prepared based on the accounting books of the mutual company as of the date of its incorporation.

(Financial Statements for Each Business Year)

Article 25-2 (1) The document to be specified by Cabinet Office Order, as provided in Article 54-3, paragraph (2) of the Act, is a statement of changes in funds, etc. prepared in accordance with the provisions of paragraph (3).

(2) Financial statements for each business year and their supplementary schedules cover the period from the day immediately after the last day of the business year immediately preceding the relevant business year (if there is no relevant preceding business year, the date of incorporation) and the last day of the relevant business year.

(3) Financial statements and their supplementary schedules for each business year which are to be prepared pursuant to the provisions of Article 54-3, paragraph (2) of the Act must be prepared based upon the accounting books for the relevant business year and in accordance with Appended Form No. 7 (or Appended Form No. 16-17, in the case of a small amount and short term insurer; or Appended Form No. 7-2, in the case of a company with specified transaction account).

(4) Business report and their supplementary schedules to be prepared pursuant to the provisions of Article 54-3, paragraph (2) of the Act must be prepared in accordance with Appended Form No. 7 (or Appended Form No. 16-17, in the case of a small amount and short term insurer; or Appended Form No. 7-2, in the case of a company with specified transaction account).

(Consolidated Financial Statements)

Article 25-3 (1) The statements to be specified by Cabinet Office Order, as provided in Article 54-10, paragraph (1) of the Act, are the following statements to be prepared pursuant to the provisions of the following Article through Article 25-8:

- (i) a consolidated balance sheet;
  - (ii) consolidated profit and loss statement; and
  - (iii) consolidated statement of changes in funds, etc..
- (2) The consolidated financial statements as referred to in the items of the preceding paragraph must be prepared in accordance with Appended Form No. 7-3, Sections 2-2, 2-3 and 2-6 (or Appended Form No. 16-20, Sections 2-2, 2-3 and 2-6, in the case of a small amount and short term insurer).

(Consolidated Financial Year)

Article 25-4 The consolidated financial statements for each business year (referred to below as "consolidated financial year") cover the period from the day immediately after the last day of the business year immediately preceding the relevant business year (if there is no relevant preceding business year, the date of incorporation) and the last day of the relevant business year.

(Scope of Consolidation)

Article 25-5 (1) A mutual company must include all of its substantial subsidiary companies in the scope of consolidation; provided, however, that a substantial subsidiary company which falls under any other following items is not included in the scope of consolidation:

- (i) a substantial subsidiary company, when the mutual company is found to have a temporary control over its decision-making body in charge of determination of financial and business policies (meaning a shareholders' meetings and any other equivalent organ ) is found to be tentative; and
  - (ii) a substantial subsidiary company which, if included in the scope of consolidation, may substantially mislead the judgment of interested parties of the mutual company.
- (2) Substantial subsidiary companies to be included in the scope of consolidation pursuant to the provisions of the preceding paragraph which have little significance that exclusion from the scope of consolidation would not give any negative impact on making the reasonable judgment regarding the status of properties and profit and losses of the corporate group, in terms of their assets and sales volume (including service profits) and other factors, may be excluded from the scope of consolidation.

(Substantial Companies Which Have Different Period of Business Year)

Article 25-6 (1) A consolidated substantial subsidiary company (meaning a substantial subsidiary company included in the scope of consolidation; the same applies below in this Article and the following Article) for which the last day of the business year differs from the last day of the business year of the mutual company must, on the last day of the business year of the mutual

company, settle the account as may be necessary for preparation of financial statements which serve the basis of preparation of the consolidated financial statements; provided, however, that this does not apply to the cases where the difference between the last day of the business year of the consolidated substantial subsidiary company and the last day of the business year of the mutual company do not exceed three months, and where the consolidated financial statements are to be prepared based on the financial statements for the business year of the consolidated substantial subsidiary company.

- (2) When the consolidated financial statements are to be prepared pursuant to the provisions of the proviso to the preceding paragraph, an adjustment must be made in relation to the material discrepancies in accounting records related to transactions among consolidated companies (which collectively means the mutual company and its consolidated substantial subsidiary companies; the same applies in the following Article), arising from the inconsistency between the last day of the business year of the consolidated substantial subsidiary company and the last day of the business year of the mutual company.

(Assessment of Assets and Liabilities of Consolidated Substantial Subsidiary Companies)

Article 25-7 In preparing consolidated financial statements, assets and liabilities of consolidated substantial subsidiary companies must be evaluated, investments by the mutual company in the consolidated substantial subsidiary companies must be offset against the corresponding equity in the consolidated substantial subsidiary companies, and any other necessary elimination of items between the consolidated companies must be made.

(Application of Equity Method)

Article 25-8 (1) Investments in any non-consolidated substantial subsidiary company (meaning a substantial company excluded from the scope of consolidation; the same applies below in this Article) and in affiliated company must be recorded on a consolidated balance sheet by indicating values calculated by the application of the equity method (meaning a method whereby an investment company corrects its investment amount for each business year, reflecting the fluctuation in the portions of the invested company's net assets, profit and loss to which the investor company is entitled; the same applies below in this Article); provided, however, that the equity method is not applied to investments in a non-consolidated substantial subsidiary company and affiliated company that falls under either of the following categories:

- (i) an affiliated company, where the mutual company is found to exert only a temporary influence on its decisions on financial and operational or business policies; or

- (ii) a non-consolidated subsidiary company or affiliated company, where application of the equity method to it is found likely to mislead the judgment of interested parties of the mutual company.
- (2) Where any non-consolidated subsidiary company or affiliated company to which the equity method is to be applied pursuant to the provisions of the preceding paragraph would not, in terms of profit, loss, or other factors, give any material influence on consolidated financial statements even if it is excluded from the target of application of the equity method, that company may be excluded from the target of application of the equity method.

## **Division 2 Audit of Accounting Documents Concerning Mutual Company Other than Company with Financial Auditors**

### **(General Rules on Audit of Accounting Documents)**

- Article 26 (1) For the purpose of audit to be performed pursuant to the provisions of Article 54-4, paragraphs (1) and (2) and Article 54-10, paragraph (4) of the Act (limited to the audit related to the accounting documents (excluding the balance sheet as of the time of incorporation; the same applies below in this Division and the following Division); the same applies below in this Subsection), the provisions of this Division and the following Division apply.
- (2) The audit as provided in the preceding paragraph is to include the audit provided in Article 2, paragraph (1) (Services of Certified Public Accountants) of the Certified Public Accountants Act, as well as the procedures to verify the degree of consistency between information indicated on the accounting documents and information required to be indicated on the accounting documents, and to inform the interested parties its results.

### **(Details of Audit Report of Company Auditors)**

- Article 26-2 A company auditor (excluding a company auditor of a company with financial auditor (meaning a stock company or mutual company with financial auditors; the same applies in this Division)) must, upon receipt of the accounting documents, prepare an audit report in accordance with Appended Form No. 1-6.

### **(Details of Audit Report of Board of Company Auditors)**

- Article 26-3 (1) The board of company auditors (excluding the board of company auditors of the company with financial auditors; the same applies below in this Article and Article 26-2, paragraph (1)) must prepare its audit report (referred to below as the "audit report by board of company auditors" in this Article) in accordance with Appended Form No. 1-7, based on the audit report prepared by

the company auditor pursuant to the provisions of the preceding Article (referred to below as the "audit report by company auditors" in this Article).

- (2) When the board of company auditors prepares an audit report by board of company auditors, it must discuss, for one or more occasions, the details of the audit report by board of company auditors (excluding the details of each company auditor's audit report by company auditor to be noted if any discrepancy exists between the details of the audit report by board of company auditors and that of the audit report by company auditors), by holding meetings or by means which enables simultaneous exchange of opinions through transmission of information.

(Time Limit for Notification of Audit Report)

Article 26-4 (1) A specific company auditor must, until either of the following dates whichever comes later, notify the specific director of the content of the audit report (in the case of a company with board of company auditors, limited to the audit report of the board of company auditors prepared pursuant to the provisions of paragraph (1) of the preceding Article; the same applies below in this Article) on financial statements for each business year and their supplementary schedules:

- (i) the date when four weeks passes from the date of receipt of all financial statements;
- (ii) the date when one week passes from the date of receipt of the supplementary schedules to the financial statements; or
- (iii) if there is a date agreed upon between the specific directors and specific company auditors, the date.

(2) Accounting documents are deemed to have been audited by the company auditors on the day when the specific director receives the notification of the details of the audit report under the preceding paragraph.

(3) Notwithstanding the provisions of the preceding paragraph, if the specific company auditor fails to make a notification of the details of the audit report under paragraph (1) no later than the time limit specified in the same paragraph, the financial documents are deemed to have been audited by the company auditors on the day when the notification should have been made.

(4) The term "specific director" as provided in paragraphs (1) and (2) means the persons specified in the following items, in accordance with the categories as respectively stated in those items (if the mutual company is a company with accounting advisors, the persons specified in the respective items, as well as the accounting advisors):

- (i) when the recipient of the notification under paragraph (1) is designated: the person designated as the recipient of the notification;
- (ii) in cases other than those stated in the preceding paragraph: the director

who performed the duties of preparation of the accounting documents which require auditing.

- (5) The term "specific company auditor" as provided in paragraphs (1) and (3) means the persons specified in the following items, in accordance with the categories of mutual companies as respectively stated in those items:
- (i) a company with company auditors (excluding a company with board of company auditors and a company with financial auditors): a person specified in any of (a) through (c) below, in accordance with the categories of the cases as respectively stated in (a) through (c):
    - (a) if there are two or more company auditors, and when the company auditor who is to notify the details of the audit report under paragraph (1) is designated: the company auditor designated to make the notification;
    - (b) if there are two or more company auditors, and when the company auditor who is to notify the details of the audit report under paragraph (1) is not designated: all company auditors;
    - (c) in cases other than those stated in (a) or (b): company auditors;
  - (ii) a company with board of company auditors (excluding a company with financial auditors): a person specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
    - (a) if the board of company auditors has designated the company auditor who is to notify the details of the audit report under paragraph (1): the company auditor designated to make the notification;
    - (b) in cases other than those stated in (a): all company auditors.

### **Division 3 Audit of Accounting Documents Concerning Company with Financial Auditors**

#### **(Provision of Accounting Documents)**

**Article 27** When a director (or an executive officer, in cases of a company with nominating committee, etc.) who has prepared the accounting documents intends to provide them to financial auditors, the director must also provide them to company auditors (or an audit and supervisory committee member designated by the audit and supervisory committee, in the case of a company with audit and supervisory committee; or an audit committee member designated by the audit committee, in the case of a company with nominating committee, etc.).

#### **(Details of Accounting Audit Report)**

**Article 27-2** When a financial auditor received the accounting documents, the financial auditor must prepare an accounting audit report in accordance with Appended Form No. 1 (or Appended Form No. 1-5, in cases of a small amount

and short term insurer).

(Details of Audit Report by Company Auditors of Company with Financial Auditors)

Article 27-3 A company auditor of a company with financial auditors must, upon receipt of the accounting documents and accounting audit report (or accounting documents only, in the cases provided in Article 27-6, paragraph (3)), prepare an audit report in accordance with Appended Form No. 1-2 (or Appended Form No. 1-6, in the case of a small amount and short term insurer).

(Details of Audit Report by Board of Company Auditors of Company with Company Auditors)

- Article 27-4 (1) The board of company auditors of a company with financial auditors must prepare the audit report of the board of company auditors (referred to below as the "audit report by board of company auditors" in this Article and Article 29-4) in accordance with Appended Form No. 1-3 (or Appended Form No. 1-7, in the case of a small amount and short term insurer), based on the audit report prepared by the company auditors pursuant to the provisions of the preceding Article (referred to below as the "audit report by company auditors" in this Article and Article 29-4).
- (2) When the board of company auditors of a company with financial auditors prepares an audit report by board of company auditors, it must discuss, for one or more occasions, the details of the audit report by board of company auditors (excluding the details of each company auditor's audit report by company auditor to be noted if there is any discrepancy between the details of the audit report by board of company auditors and that of the audit report by company auditors), by holding meetings or by means which allows simultaneous exchange of opinions through transmission of information.

(Details of Audit Report by Audit and Supervisory Committee)

- Article 27-4-2 (1) The audit and supervisory committee must, upon receipt of the financial statements and other related documents and financial audit report (or financial statements and other related documents, in the case provided in Article 27-6, paragraph (3)), prepare an audit report in accordance with Appended Form No. 1-3-2 (or Appended Form No. 1-7-2, in the case of a small amount and short term insurer).
- (2) The details of the audit report as provided in the preceding paragraph (excluding opinions of the audit and supervisory committee members to be noted if there is any discrepancy between the details of the audit report by the audit and supervisory committee and the opinions of the audit and supervisory committee members) must be determined by the resolution of the audit and

supervisory committee.

(Details of Audit Report by Audit Committee)

Article 27-5 (1) An audit committee must, upon receipt of the accounting documents and accounting audit report (or the accounting documents only, in the cases provided in paragraph (3) of the following Article), prepare an audit report in accordance with Appended Form No. 1-4 (or Appended Form No. 1-8, in the case of a small amount and short term insurer).

(2) The details of the audit report as provided in the preceding paragraph (excluding the opinions of the audit committee members to be noted if there is any discrepancy between the details of the audit report by the audit committee and the opinions of the audit committee members) must be determined by the resolution of the audit committee.

(Time Limit for Notification of Accounting Audit Report)

Article 27-6 (1) A financial auditor must, no later than the day specified in any of the following items in accordance with the categories of the accounting audit report as respectively stated in those items, notify the specific company auditors and specific directors of the details of the accounting audit report:

(i) an accounting audit report on financial statements for each business year and their supplementary schedules: whichever of the following dates comes later:

(a) the date when four weeks passes from the date of receipt of all financial statements;

(b) the date when one week passes from the date of receipt of the supplementary schedules to the financial statements; or

(c) if there is a date agreed upon among the specific directors, specific company auditors and financial auditors, the date;

(ii) accounting audit report on consolidated financial statements: the date when four weeks passes from the date of receipt of all consolidated financial statements (if there is a date agreed upon among the specific directors, specific company auditors and financial auditors, the date).

(2) Accounting documents are deemed to have been audited by the financial auditors on the day when the specific company auditor or specific director receives the notification of the details of the audit report under the preceding paragraph.

(3) Notwithstanding the provisions of the preceding paragraph, if the financial auditor fails to make a notification of the details of the accounting audit report under paragraph (1) no later than the time limit specified in the same paragraph, the accounting documents are deemed to have been audited by the financial auditor on the day when the notification should have been made.

- (4) The term "specific director" as provided in paragraphs (1) and (2) means the persons specified in the following items, in accordance with the categories as respectively stated in those items (if the mutual company is a company with accounting advisors, the persons specified in the respective items, as well as the accounting advisors) (the same applies in Article 27-8):
- (i) if the recipient of the notification under paragraph (1) is designated: the person designated as the recipient of the notification;
  - (ii) in cases other than those stated in the preceding paragraph: the director and executive officer who performed the duties of preparation of the accounting documents which require auditing.
- (5) The term "specific company auditor" as provided in paragraphs (1) and (2) means the persons specified in the following items, in accordance with the categories of mutual companies as respectively stated in those items (the same applies in Article 27-8):
- (i) a company with company auditors (excluding a company with board of company auditors): a person specified in any of (a) through (c) below, in accordance with the categories of the cases as respectively stated in (a) through (c):
    - (a) if there are two or more company auditors, and when the company auditor who receives the notification of the details of the accounting audit report under paragraph (1) is designated: the company auditor designated to receive the notification;
    - (b) if there are two or more company auditors, and when the company auditor who receives the notification of the details of the accounting audit report under paragraph (1) is not designated: all company auditors;
    - (c) in cases other than those stated in (a) or (b): company auditors;
  - (ii) a company with board of company auditors: a person specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
    - (a) if the board of company auditors has designated the company auditor who receives notification of the details of the accounting audit report under paragraph (1): the company auditor designated to receive the notification;
    - (b) in cases other than those stated in (a): all company auditors;
  - (iii) a company with audit and supervisory committee: a person specified in (a) or (b) below, in accordance with the categories of the cases as respectively provided in (a) or (b):
    - (a) if the audit and supervisory committee has designated the audit and supervisory committee member who receives notification of the details of the financial audit report under paragraph (1): that audit and supervisory committee member designated to receive the notification;
    - (b) in cases other than those specified in (a): any of the audit and supervisory

committee members;

- (iv) a company with nominating committee, etc.: a person specified in (a) or (b) below, in accordance with the categories of the cases as respectively provided in (a) or (b):
  - (a) if the audit committee has designated the audit committee member who receives notification of the details of the accounting audit report under paragraph (1): that audit committee member designated to receive the notification;
  - (b) in cases other than those provided in (a): any of the audit committee members.

(Matters Related to Execution of Financial Auditors Duties)

Article 27-7 A financial auditor must, upon the notification of the details of the accounting audit report to specific company auditors as under paragraph (1) of the preceding Article, notify the following matters related to the financial auditor (if the provisions related to the matter have not been prescribed, the fact that the matters have not been prescribed); provided, however, that this does not apply to the case where the matter has been already known to all company auditors (or audit and supervisory committee, in the case of a company with audit and supervisory committee; or audit committee, in the case of a company with nominating committee, etc.):

- (i) the matters related to impartiality, and any other matters related to compliance with laws and regulations and rules applicable to auditing;
- (ii) the matters related to policies for acceptance and maintenance of contracts for auditing, services similar to auditing and affairs incidental to auditing; and
- (iii) other matters related to system to ensure that the financial auditor's duties will be executed in an appropriate manner.

(Time Limit for Notification of Audit Report by Company Auditors of Company with Financial Auditors)

Article 27-8 (1) A specific company auditor of a company with financial auditors must, no later than the day specified in any of the following items in accordance with the categories of the audit report as respectively stated in those items, notify the specific directors and financial auditors of the details of the audit report (in cases of a company with board of company auditors, limited to the details of the audit report by the board of company auditors prepared pursuant to the provisions of Article 27-4, paragraph (1); the same applies below in this Article):

- (i) an audit report on accounting documents other than the consolidated financial statements: whichever of the following dates comes later:

- (a) the date when one week passes from the date of receipt of the accounting audit report (in the case provided in Article 27-6, paragraph (3), the day when the documents are deemed to have been audited pursuant to the provisions of the same paragraph; the same applies in the following item);
- (b) if there is a date agreed upon between the specific directors and specific company auditors, the date;
- (ii) audit report on the consolidated financial statements: the date when one week has passed from the date of receipt of the accounting audit report (if there is a date agreed upon among the specific directors and specific company auditors, the date).
- (2) Accounting documents are deemed to have been audited by the company auditors (or the audit and supervisory committee, in the case of a company with audit and supervisory committee; or the audit committee, in the case of a company with nominating committee, etc.) on the day when the specific director and specific company auditor receive the notification of the details of the audit report under the preceding paragraph.
- (3) Notwithstanding the provisions of the preceding paragraph, if the specific company auditor fails to make a notification of the details of the audit report under paragraph (1) no later than the time limit specified in the same paragraph, the financial documents are deemed to have been audited by the company auditor (or the audit and supervisory committee, in the case of a company with audit and supervisory committee; or the audit committee, in the case of a company with nominating committee, etc.) on the day when the notification should have been made.

#### **Division 4 Audit of Business Report**

(Details of Audit Report by Company Auditors)

Article 28 A company auditor must, upon receipt of the business report and its supplementary schedules, prepare an audit report in accordance with Appended Form No. 1-2 (or Appended Form No. 1-6, in the case of a small amount and short term insurer)

(Details of Audit Report by Board of Company Auditors)

Article 28-2 (1) The board of company auditors must prepare the audit report of the board of company auditors (referred to below as the "audit report by board of company auditors" in this Article) in accordance with Appended Form No. 1-3 (or Appended Form No. 1-7, in the case of a small amount and short term insurer), based on the audit report prepared by the company auditors pursuant to the provisions of the preceding Article (referred to below as the "audit report by company auditors" in this Article).

- (2) When the board of company auditors prepares an audit report by board of company auditors, it must discuss, for one or more occasions, the details of the audit report by board of company auditors (excluding the details of each company auditor's audit report by company auditor to be noted if there is any discrepancy between the details of the audit report by board of company auditors and that of the audit report by company auditors), by convocation of meetings or by means which allows simultaneous exchange of opinions through transmission of information.

(Details of Audit Report of Audit and Supervisory Committee)

Article 28-2-2 (1) The audit and supervisory committee must, upon receipt of the business report and its supplementary schedules, prepare an audit report in accordance with Appended Form No. 1-3-2 (or Appended Form No. 1-7-2, in the case of a small amount and short term insurer).

- (2) The details of the audit report as provided in the preceding paragraph (excluding the opinions of the audit and supervisory committee members to be noted if there is any discrepancy between the details of the audit report by the audit and supervisory committee and the opinions of the audit and supervisory committee members) must be determined by the resolution of the audit and supervisory committee.

(Details of Audit Report by Audit Committee)

Article 28-3 (1) An audit committee must, upon receipt of the business report and supplementary schedules to it, prepare an audit report in accordance with Appended Form No. 1-4 (or Appended Form No. 1-8, in the case of a small amount and short term insurer).

- (2) The details of the audit report as provided in the preceding paragraph (excluding the opinions of the audit committee members to be noted if there is any discrepancy between the details of the audit report by the audit committee and the opinions of the audit committee members) must be determined by the resolution of the audit committee.

(Time Limit for Notification of Accounting Audit Report)

Article 28-4 (1) A specific company auditor must, no later than either of the following dates whichever comes later, notify the specific director of the content of the audit report (in the case of a company with board of company auditors, limited to the audit report of the board of company auditors prepared pursuant to the provisions of Article 28-2, paragraph (1); the same applies below in this Article):

- (i) the date when four weeks passes from the date of receipt of the business reports;

- (ii) the date when one week passes from the date of receipt of the supplementary schedules to the business report; or
  - (iii) a date agreed upon among the specific directors and specific company auditors.
- (2) A business report and its supplementary schedules are deemed to have been audited by the company auditors (or the audit and supervisory committee, in the case of a company with audit and supervisory committee, or the audit committee, in the case of a company with nominating committee, etc.) on the day when the specific director receives the notification of the details of the audit report under the preceding paragraph.
- (3) Notwithstanding the provisions of the preceding paragraph, if the specific company auditor fails to make a notification of the details of the audit report under paragraph (1) no later than the time limit specified in the same paragraph, the business report and its supplementary schedules are deemed to have been audited by the company auditor (or the audit and supervisory committee, in the case of a company with audit and supervisory committee; or the audit committee, in the case of a company with a nominating committee, etc.) on the day when the notification should have been made.
- (4) The term "specific director" as provided in paragraphs (1) and (2) means the persons specified in the following items, in accordance with the categories respectively stated in those items:
- (i) when the recipient of the notification under paragraph (1) is designated: the person designated as recipient of the notification; and
  - (ii) in cases other than those stated in the preceding paragraph: the director or executive officer who performed the duties of preparation of the business report and supplementary schedules to it.
- (5) The term "specific company auditor" as provided in paragraphs (1) and (3) means the persons stated in the following items, in accordance with the categories of mutual companies as respectively stated in those items:
- (i) a company with company auditors (excluding a company with board of company auditors): a person specified in any of (a) through (c) below, in accordance with the categories of the cases as respectively stated in (a) through (c):
    - (a) if there are two or more company auditors, and when the company auditor who is to notify the details of the audit report under paragraph (1) is designated: the company auditor designated to make the notification;
    - (b) if there are two or more company auditors, and when the company auditor who is to notify the details of the audit report under paragraph (1) is not designated: all company auditors;
    - (c) in cases other than those stated in (a) or (b): company auditors;
  - (ii) a company with board of company auditors: a person specified in (a) or (b)

below, in accordance with the categories of the cases as respectively stated in (a) or (b):

- (a) if the board of company auditors has designated the company auditor who is to notify the details of the audit report under paragraph (1): the company auditor designated to make the notification;
- (b) in cases other than those stated in (a): all company auditors;
- (iii) a company with audit and supervisory committee: a person specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
  - (a) if the audit and supervisory committee has designated the audit and supervisory committee member who is to notify the details of the audit report under paragraph (1): that audit and supervisory committee member designated to receive the notification;
  - (b) in cases other than those stated in (a): any of the audit and supervisory committee members;
- (iv) a company with nominating committee, etc.: a person specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
  - (a) if the audit committee has designated the audit committee member who is to notify the details of the audit report under paragraph (1): the audit committee member designated to make the notification;
  - (b) in cases other than those stated in (a): any of the audit committee members.

## **Division 5 Provision of Financial Statements**

(Provision of Financial Statements)

Article 29 (1) The provision of financial statements to be provided (meaning documents as specified in following items in accordance with the categories of mutual companies respectively stated in those items; the same applies below in this Article) to members (or representative members, if the member representatives meeting has been organized; the same applies below on this Article to Article 29-3) pursuant to the provisions of Article 54-5 of the Act is as prescribed in this Article:

- (i) a mutual company which is not a company with financial auditors: the following documents:
  - (a) financial statements;
  - (b) if an audit report on the financial statements has been prepared by company auditors (or by the board of company auditors, in the case of a company with board of company auditors), the audit report (if a mutual company (excluding a company with board of company auditors) has two or

- more company auditors and where the substances of the audit report (excluding the date of preparation of the audit report) prepared by each company auditor are identical, the audit reports prepared by the one or more company auditors);
- (c) when the audit is deemed to have been completed pursuant to the provisions of Article 26-4, paragraph (3), a document or electronic or magnetic record stating or recording that fact;
- (ii) a company with financial auditors: the following documents:
- (a) financial statements;
  - (b) if an accounting audit report related to the financial statements has been prepared, the accounting audit report;
  - (c) if the company has no financial auditors (excluding the cases where the company has a person who is to temporarily perform the duties of a financial auditor referred to in Article 53-12, paragraph (4) of the Act), a document or electronic or magnetic record stating or recording the fact that the company has no financial auditors;
  - (d) when the audit is deemed to have been completed pursuant to the provisions of Article 27-6, paragraph (3), a document or electronic or magnetic record stating or recording that fact;
  - (e) if an audit report on the financial statements has been prepared by company auditors (or by the board of company auditors, in the case of a company with board of company auditors; by the audit and supervisory committee, in the case of a company with audit and supervisory committee; or by the audit committee, in the case of a company with nominating committee, etc.) financial statement, the audit report (if a mutual company (excluding a company with board of company auditors) has two or more company auditors and where the substances of the audit report (excluding the date of preparation of the audit report) prepared by each company auditor are identical, the audit reports prepared by the one or more company auditors); and
  - (f) if the audit is deemed to have been completed pursuant to the provisions of Article 27-8, paragraph (3), a document or electronic or magnetic record stating or recording that fact.
- (2) When a notice of calling (meaning a notice under Article 299, paragraph (2) or (3) (Notice of Calling of Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) or Article 49, paragraph (1) of the Act; the same applies below in this Article through Article 29-3) of an annual general meeting (or an annual member representatives meeting, if the member representatives meeting has been organized; the same applies below in this Article to Article 29-3) is to be given in accordance with the method stated in any of the following items, the financial statements to be

- provided must be given by the method as respectively specified in those items:
- (i) provision of written documents: the method as specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
    - (a) when the financial statements to be provided are prepared in the form of written documents: provision of written documents stating the matters contained in those written documents;
    - (b) when the financial statements to be provided are prepared in the form of electronic or magnetic records: provision of written documents stating the matters contained in the electronic or magnetic records;
  - (ii) provision by way of electronic or magnetic means: the method as specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
    - (a) when the financial statements to be provided are prepared in the form of written documents: provision of the matters contained in those written documents, by electronic or magnetic means; or
    - (b) when the financial statements to be provided are prepared in the form of electronic or magnetic records: provision of the matters contained in the electronic or magnetic records, by electronic or magnetic means.
- (3) When providing the financial statements to be provided, the matters to be indicated on the balance sheet, profit and loss statement or statement of changes in funds, etc. related to the business year before the relevant business year (referred to below as "carry-forward items") may also be provided. In this case, if, due to amendment in accounting policies or any other justifiable reason, any of the carry-forward items as of the time of provision of the financial statements to be provided differs from the items approved or reported at the annual general meeting for the business year before the relevant business year, the provision of the carry-forward items so amended is not precluded.
- (4) When, for the period between the time of dispatching a notice of calling of the annual general meeting and the day when three months passes from the day of the annual general meeting, the measure (limited to the method specified in Article 14-5, paragraph (1), item (i), (b), which is to be implemented by the use of automatic public transmission server connected to the internet; the same applies in paragraph (8)) is implemented so as to keep members accessible to information related to the matters to be included in the relevant financial statements to be provided (limited to the matters related to the relevant notes to the statement of changes in funds, etc., the balance sheet or profit and loss statement) by electronic or magnetic means, the matters are deemed to have been provided to the members by the method specified in paragraph (2) in accordance with the categories of the cases as respectively stated in the item of

the same paragraph, for the purpose of application of provisions of paragraph (2); provided, however, that this is limited to the case where it is provided for in the articles of incorporation that the measure referred to in this paragraph is implemented.

- (5) In the case referred to in the preceding paragraph, the director must notify the members of the characters, numbers, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing the measure referred to in the same paragraph, which enables the information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers.
- (6) When, pursuant to the provisions of paragraph (4), any part of the matters indicated on the financial statements are deemed to have been provided to members by the methods specified in the items of paragraph (2), and where the company auditor, financial auditor, audit and supervisory committee, or audit committee requests that the director is to notify the members of the fact that the financial statements actually provided to the members comprise a part of the financial statements audited for the preparation of the audit report or accounting audit report, the director must notify the members of that fact.
- (7) A director may, in addition to the notice of calling of the annual general meeting, notify the methods to inform the members of the matters after the amendment if any event occurs which requires amendment to the matters to be stated in the financial statements within the period between the day of dispatching the notice of calling of the annual general meeting and the day immediately before the date of the annual general meeting.
- (8) The provisions of paragraph (4) do not preclude taking measures to keep members able to access the information related to, of the matters to be indicated in the financial statements to be provided, those other than the matters related to the relevant notes to the statement of changes in funds, etc., the balance sheet or profit and loss statement, by electronic or magnetic means.

#### (Provision of Business Reports to Members)

Article 29-2 (1) The provision of business reports to be provided (meaning the documents as specified in the following items; the same applies below in this Article) to members pursuant to the provisions of Article 54-5 of the Act is as prescribed in this Article:

- (i) business report;
- (ii) if an audit report on the business report has been prepared by company auditors (or by the board of company auditors, in the case of a company with board of company auditors; by the audit and supervisory committee, in the case of a company with audit and supervisory committee; or by the audit

- committee, in the case of a company with nominating committee, etc.), the audit report (if a mutual company (excluding a company with board of company auditors) has two or more company auditors and the substances of the audit report (excluding the date of preparation of the audit report) prepared by each company auditor are identical, the audit reports prepared by the one or more company auditors);
- (iii) if the audit is deemed to have been completed pursuant to the provisions of Article 28-4, paragraph (3), a document or electronic or magnetic record stating or recording that fact.
- (2) When the notice of calling of the annual general meeting is to be given by the method stated in the following items, the business reports to be provided must be provided by the method respectively specified in those items:
- (i) provision of written documents: the method specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
- (a) when the business reports to be provided are prepared in the form of written documents: provision of written documents stating the matters contained in those written documents; or
- (b) when the business reports to be provided are prepared in the form of electronic or magnetic records: provision of written documents stating the matters contained in the electronic or magnetic records;
- (ii) provision by electronic or magnetic means: the method as specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
- (a) when the business reports to be provided are prepared in the form of written documents: provision of the matters contained in those written documents, by electronic or magnetic means; or
- (b) when the business reports to be provided are prepared in the form of electronic or magnetic records: provision of the matters contained in the electronic or magnetic records, by electronic or magnetic means.
- (3) When, for the period between the time of dispatching a notice of calling of the annual general meeting and the day when three months passes from the day of the annual general meeting, the measure (limited to the method specified in Article 14-5, paragraph (1), item (i), (b), which is to be implemented by the use of automatic public transmission server connected to the internet; the same applies in paragraph (7)) is implemented so as to keep members accessible to information related to the matters to be contained in the relevant business report (excluding the following matters) by electronic or magnetic means, the matters are deemed to have been provided to the members by the method specified in the same paragraph in accordance with the categories of the cases as respectively stated in the items, for the purpose of application of provisions of the preceding paragraph; provided, however, that this is limited to the case

where it is provided for in the articles of incorporation that the measures as referred to in this paragraph are implemented:

- (i) the progress, outcomes, etc., of business;
  - (ii) status of fund procurement;
  - (iii) status of capital investment;
  - (iv) status of major subsidiary companies, etc.;
  - (v) status of transfer and acquisition, etc. of business;
  - (vi) issues to be handled;
  - (vii) status of company officers (meaning directors, accounting advisors, company auditors and executive officers of the mutual company; the same applies in the following item);
  - (viii)-2 the matters related to an indemnity agreement (meaning an indemnity agreement prescribed in Article 430-2, paragraph (1) (Indemnity Agreements) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-38 of the Act following the deemed replacement of terms);
  - (viii)-3 the matters related to an officers, etc. indemnification insurance policy (meaning an officers, etc. indemnification insurance policy as provided in Article 430-3, paragraph (1) (Insurance Policies Concluded for the Benefit of Officers) of the Companies Act, as applied mutatis mutandis pursuant to Article 53-38 of the Act following the deemed replacement of terms); and
  - (ix) if the company auditor, audit and supervisory committee or audit committee has raised any objection as to the implementation of the measures referred to in this paragraph in relation to any of the matters to be stated in the business report (excluding the matters stated in the preceding items), that matter.
- (4) In the case referred to in the preceding paragraph, the director must inform the members of the characters, numbers, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing the measure referred to in the same paragraph, which enables information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers.
- (5) If, pursuant to the provisions of paragraph (3), any part of the matters indicated on the business report are deemed to have been provided to members by the methods specified in the items of paragraph (2), and where the company auditor, audit and supervisory committee or financial auditor requests that the director is to notify the members of the fact that the business report actually provided to the members comprise a part of the business report audited for the preparation of the audit report or accounting audit report, the director must notify the members of that fact.

- (6) A director may, in addition to the notice of calling of the annual general meeting, notify the methods to inform the members of the matters after the amendment if any event occurs which requires amendment to the matters to be stated in the business report within the period between the day of dispatching notice of calling of the annual general meeting and the day immediately before the date of the annual general meeting.
- (7) The provisions of paragraph (3) do not preclude taking measures to keep members able to access the information related to the matters stated in each item of the same paragraph by electronic or magnetic means.

(Provision of Consolidated Financial Statements)

Article 29-3 (1) When the consolidated financial statements are to be provided to members pursuant to the provisions of Article 54-5 of the Act as applied mutatis mutandis pursuant to Article 54-10, paragraph (6) of the Act following the deemed replacement of terms, and where the notice of calling of the annual general meeting is to be given by the method stated in the following items, the consolidated financial statements must be provided in accordance with the method as respectively stated in the relevant item:

- (i) provision of written documents: the method as specified in (a) or (b) below, in accordance with the categories of the cases as respectively stated in (a) or (b):
    - (a) when the consolidated financial statements are prepared in the form of written documents: provision of written documents stating the matters contained in those written documents; or
    - (b) when the consolidated financial statements are prepared in the form of electronic or magnetic records: provision of written documents stating the matters contained in the electronic or magnetic records;
  - (ii) provision by electronic or magnetic means: the method as specified in (a) or (b) below, in accordance with the categories of the cases respectively stated in (a) or (b):
    - (a) when the consolidated financial statements are prepared in the form of written documents: provision of the matters contained in those written documents, by electronic or magnetic means; or
    - (b) when the consolidated financial statements are prepared in the form of electronic or magnetic records: provision of the matters contained in the electronic or magnetic records, by electronic or magnetic means.
- (2) In applying the preceding paragraph if an accounting audit report or audit report related to the consolidated financial statements referred to in the same paragraph has been prepared and where it is prescribed that the details of the accounting audit report or audit report are also provided to the members, the term "consolidated financial statements" in item (i), (a) and (b), and item (ii),

- (a) and (b) of the same paragraph is deemed to be replaced with "consolidated financial statements (including accounting audit report or audit report related to the consolidated financial statements)".
- (3) When the articles of incorporation provide that measures for electronic provision (meaning the measures for electronic provision provided in Article 325-2 (Provisions in the Articles of Incorporation to the Effect that Measures for Electronic Provision Will be Taken) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) or Article 49, paragraph (1) of the Act; the same applies below in this paragraph), and if there is a financial audit report or an audit report concerning the consolidated financial statements referred to in paragraph (1), and if it is prescribed that its details are also to be provided to members, measures for electronic provision may be taken with respect to the information concerning the matters stated or recorded in the accounting audit report or audit report, in lieu of the provision under the preceding two paragraphs.
- (4) When providing the consolidated financial statements, the matters to be indicated on the consolidated balance sheet, consolidated profit and loss statement or consolidated statement of changes in funds, etc. for the consolidated business year before the relevant consolidated business year (referred to below as the "carry-forward items") may also be provided. In this case, if, due to amendment in accounting policies or any other justifiable reason, any of the carry-forward items as of the time of provision of the consolidated financial statements differs from the items approved or reported at the annual general meeting for the consolidated business year before the relevant consolidated business year, the provision of the carry-forward items so amended is not precluded.
- (5) When, for the period between the time of dispatching a notice of calling of the annual general meeting and the day when three months passes from the day of the annual general meeting, the measure (limited to the method specified in Article 14-5, paragraph (1), item (i), (b), which is to be implemented by the use of automatic public transmission server connected to the internet) is implemented so as to keep members accessible to information related to the matters to be included in the relevant consolidated financial statements (including the accounting audit report and audit report related to the consolidated financial statements, in the cases provided in paragraph (2)) by electronic or magnetic means, these matters are deemed to have been provided to the members by the method specified in paragraph (1) in accordance with the categories of the cases respectively stated in the items of the same paragraph, for the purpose of application of provisions of the same paragraph; provided, however, that this is limited to the case where it is provided for in the articles of incorporation that the measure referred to in this paragraph is

implemented.

- (6) In the case referred to in the preceding paragraph, the director must notify the members of the characters, numbers, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing the measure referred to in the same paragraph, which enables the information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers.
- (7) When, pursuant to the provisions of paragraph (5), any part of the matters indicated on the consolidated financial statements are deemed to have been provided to members by the methods specified in the items of paragraph (1), and the company auditor, financial auditor, audit and supervisory committee or audit committee requests that the director is to notify the members of the fact that the consolidated financial statements actually provided to the members comprise a part of the consolidated financial statements audited for the preparation of the audit report or accounting audit report, the director must notify the members of that fact.
- (8) A director may, in addition to the notice of calling of the annual general meeting, notify the methods to inform the members of the matters after the amendment if any event occurs which requires amendment to the matters to be stated in the consolidated financial statements within the period between the day of dispatching notice of calling of the annual general meeting and the day immediately before the date of the annual general meeting.

(Requirements for Application of Special Provisions for Approval of Financial Statements)

Article 29-4 The requirement to be specified by Cabinet Office Order, as provided in Article 54-6, paragraph (4) of the Act, is to fall under all of the following items (excluding item (iii), in the case of a mutual company which is a company with company auditors but is not a company with board of company auditors):

- (i) that the accounting audit report for the financial statements as provided in Article 54-6, paragraph (4) of the Act contains an unqualified opinion (meaning an opinion to the effect that the audited financial statements are found to adequately reflect any and all material aspects regarding the status of properties and profits and losses for the period covered by the financial statements, in terms of the corporate accounting criteria that are generally accepted as fair and appropriate);
- (ii) that no opinion finding the methods and results of the audits performed by the financial auditor to be inappropriate is contained in the audit report (in the case of a company with board of company auditors, limited to an audit

report prepared by the board of company auditors) of company auditors, board of company auditors, audit and supervisory committee or audit committee related to the accounting audit report referred to in the preceding item;

- (iii) that the details noted in the audit report of board of company auditors, audit and supervisory committee or audit committee, which relates to the accounting audit report as referred to in item (i) (meaning, the details of audit report by company auditors which is to be noted when the details of the audit report by board of company auditors differ from the details of the audit report by company auditors by each company auditor; an opinion of an audit and supervisory committee member to be noted when the details of the audit report by the audit and supervisory committee differ from the opinion of audit and supervisory committee members, or an opinion of an audit committee member to be noted when the details of the audit report of the auditing committee differ from the opinion of the audit committee member) is not the opinion as referred to in the preceding item;
- (iv) that the financial statements as provided in Article 54-6, paragraph (4) of the Act are not deemed to have been audited pursuant to the provisions of Article 27-8, paragraph (3) of the Act.

#### (Public Notice of Financial Statements)

Article 29-5 (1) If a mutual company gives a public notice under Article 54-7, paragraph (1) of the Act (including the measures under paragraph (3) of the same Article; the same applies below in this paragraph), it must clearly indicate the following matters in the public notice. In this case, the matters stated in items (i) through (vi) are limited to the notes for the relevant business year:

- (i) notes on going concern assumption;
  - (ii) notes on significant account policies;
  - (iii) notes on balance sheet;
  - (iv) notes on tax effect accounting;
  - (v) notes on transactions with related parties;
  - (vi) notes on significant post-balance sheet events; and
  - (vii) the amount of net surplus or net loss for the period.
- (2) For the purpose of application of the preceding paragraph when a mutual company gives a public notice of its profit and loss statement pursuant to the provisions of Article 54-7, paragraph (1) of the Act, the term "following" in the same paragraph is deemed to be replaced with "items (i) through (vi)".
  - (3) The provisions of the preceding paragraph apply mutatis mutandis to the case where a mutual company implements a measure provided in Article 54-7, paragraph (3) of the Act, in relation to information contained in the profit and

loss statement.

(4) The term "related parties" as provided in paragraph (1), item (v) means the following parties:

- (i) a substantial subsidiary company of the mutual company;
- (ii) the mutual company's other related company (the term "other related company" means the other company, if the mutual company is the affiliated company of the other company; the same applies below in this item); and the parent company (if the other related company is not a stock company, meaning the entity which is equivalent to the parent company) and subsidiary company (meaning a subsidiary company as provided in Article 2, item (iii) of the Companies Act; the same applies below in this paragraph; and if the other related company is not a company, the entity which is equivalent to the subsidiary company) of the other related company;
- (iii) an affiliated company of the mutual company, and a subsidiary company of the affiliated company (if the affiliated company is not a company, the entity which is equivalent to the subsidiary company);
- (iv) officers of the mutual company, and their close relatives;
- (v) the other company, etc. and its subsidiary company, etc. (if the other company, etc. is not a company, the entity which is equivalent to the subsidiary company), if the person stated in the preceding item, on the person's own account, owns the majority of voting rights in the other company, etc.; and
- (vi) corporate pension for employees (limited to the case where an important transaction (excluding payment of pension premiums) with the mutual company is to be implemented).

#### (Public Notice of Summary of Financial Statements)

Article 29-6 When, pursuant to the provisions of Article 54-7, paragraph (2) of the Act, the public notice of summary of the balance sheet and summary of profit and loss statement is to be given, the summary of the balance sheet and the summary of the profit and loss statement must be prepared in accordance with Appended Form No. 3 (or Appended Form No. 3-3, in the case of a small amount and short term insurer; or Appended Form No. 3-2, in the case of a company with specified transaction account).

#### (Method of Disclosure of Balance Sheet by Electronic or Magnetic Means)

Article 29-7 The measure under Article 54-7, paragraph (3) of the Act must be implemented in accordance with the method stated in Article 14-5, paragraph (1), item (i), (b) using the automatic public transmission server connected to the Internet.

(Matters Subject to Public Notice in Cases of Adverse Opinions and Other Cases)

Article 29-8 If any of the following items applies, and where a company with accounting auditors gives public notice pursuant to the provisions of Article 54-7, paragraph (1) or (2) of the Act (including the implementation of the measure provided in paragraph (3) of the same Article; the same applies below in this Article), the matters respectively specified in the relevant items must be clearly indicated in the public notice:

- (i) when the company has no financial auditors (excluding the cases where the company has a person who is temporarily to perform the duties of a financial auditor as referred to in Article 53-12, paragraph (4) of the Act): the fact that the company has no financial auditors;
- (ii) when the audit is deemed to have been completed pursuant to the provisions of Article 27-6, paragraph (3): that fact;
- (iii) when the accounting audit report for the financial statements related to the public notice contains any adverse opinions (meaning the opinion to the effect that the audited accounting documents, etc. are inadequate, and the reason therefor): that fact;
- (iv) when the accounting audit report for the financial statements related to the public notice lacks any opinion as to whether the audited financial statements are found to adequately present, in all material respects, the status of properties, and profits and losses of the mutual company.

#### **Division 6 Payment of Interest from Fund, Depreciation of Funds, and Distribution of Surplus**

(Deductions in Relation to Payment of Interest from Fund)

Article 30 (1) The amount to be specified by Cabinet Office Order, as provided in Article 55, paragraph (1), item (iii) of the Act, is the following amounts recorded on the balance sheet as of the last day of the most recent business year:

- (i) the amount recorded in the item of application money for funds;
- (ii) the amount recorded in the item of reassessment reserve;
- (iii) the amount recorded in the item of valuation difference on available-for-sale securities (meaning the valuation difference on available-for-sale securities recorded in the section of net assets; the same applies below) (limited to the case where the amount is not less than zero);
- (iv) the amount recorded in the item of deferred gain or loss on hedges (meaning gains or losses or market value valuation differences on hedging instruments that are deferred until the gains or losses on hedged items are recognized; the same applies below);

- (v) the amount recorded in the item of land revaluation difference (meaning land revaluation difference provided in Article 7, paragraph (2) of the Act on Revaluation of Land (Act No. 34 of 1998); the same applies in item (vi) of the following paragraph) (limited to the case where the amount is not less than zero).
- (2) The amount to be specified by Cabinet Office Order, as provided in Article 55, paragraph (2), item (v) of the Act is the following amounts recorded on the balance sheet as of the last day of the most recent business year:
  - (i) the amount recorded in the item of application money for funds;
  - (ii) the amount recorded in the item of reassessment reserve;
  - (iii) when the goodwill, etc. adjustment amount (meaning the amount of goodwill recorded on the asset section divided by two, plus the amount recorded as deferred assets; the same applies below in this item) falls under the case specified in any of (a) through (c) below, the amount respectively specified in (a) through (c):
    - (a) when the goodwill, etc. adjustment amount is not more than the amount of funds, etc. (meaning the total amount of the funds, application money for funds, reserve for redemption of funds, reassessment reserve, and loss reserve; the same applies below in this item): zero;
    - (b) when the goodwill, etc. adjustment amount is not more than the total of the amount of funds, etc. and deficit in reserve for redemption of funds as of the last day of the most recent business year (excluding the cases stated in item (a)): the amount of the goodwill, etc. adjustment amount, less the amount of funds, etc.;
    - (c) when the goodwill, etc. adjustment amount exceeds the total of the amount of funds, etc. and deficit in reserve for redemption of funds as of the last day of the most recent business year: the amount stated in the following items, in accordance with the categories of the cases respectively stated in those items:
      - 1. when the amount obtained by dividing the goodwill amount as of the last day of the most recent business year by two is not more than the total of the amount of funds, etc. and the deficit in reserve for redemption of funds as of the last day of the most recent business year: the amount of the goodwill, etc. adjustment amount, less the amount of funds, etc.;
      - 2. when the amount obtained by dividing the goodwill amount as of the last day of the most recent business year by two exceeds the total of the amount of funds, etc. and the deficit in reserve for redemption of funds as of the last day of the most recent business year: the total of the amount of the deficit in reserve for redemption of funds as of the last day of the most recent business year, and the amount recorded as deferred assets;

- (iv) any other amount recorded in the item of valuation difference on available-for-sale securities (limited to the case where the amount is not less than zero);
- (v) the amount recorded in the item of deferred gain or loss on hedges;
- (vi) the amount recorded in the item of land revaluation difference (limited to the case where the amount is not less than zero).

(Formula for Calculation of Distribution of Surplus)

Article 30-2 When a mutual company distributes surplus to its members, it must calculate the amount of surplus to be distributed in accordance with the types of the insurance contracts categorized by the distinctiveness, and must implement the distribution by one or more of the methods stated in the following items (or in items (i), (ii) and (iv), in the case of a mutual company which falls under the category of small amount and short term insurer):

- (i) to distribute the amount of the insurance premiums paid by the members and gains generating from investment of money received as insurance premiums, less the amount of insurance proceeds, refund or any other benefit, operating expenditure and any other costs;
- (ii) to specify the amount of surplus to be distributed, as categorized by the grounds of the distribution; to calculate the respective amount related to each insurance contract based on the policy reserve, insurance proceeds or any other base amount; and to distribute the total of the amounts;
- (iii) to specify the amount of surplus to be distributed, as categorized by the insurance periods, etc.; and to distribute the amount related to each insurance contract calculated depending upon the policy reserve, insurance premiums or any other base amount; or
- (iv) any other method equivalent to the methods stated in the preceding three items.

(Creation of Accumulation Account)

Article 30-3 (1) A mutual company which is an insurance company may, for implementing surplus distribution in a fair and equitable manner, set up an account so that it may manage all or the part of the properties corresponding to the amount of policy reserve related to the insurance contract with an option of maturity refund paid after the expiration of the insurance period, in segregation from any other properties (referred to below as "accumulation account" in this Article).

- (2) The accounting of the properties belonging to the accumulation account must be segregated from the accounting of the properties belonging to other accumulation accounts or from any other account than the accumulation accounts, and must be stated in the accounting books specifically designated.

- (3) A mutual company which is an insurance company may not, unless with approval from the Commissioner of the Financial Services Agency or except for the case of transfer of money to another account by the method specified in the document under Article 4, paragraph (2), item (ii) of the Act, conduct any of the following acts:
- (i) to transfer the properties belonging to the accumulation account to other accumulation accounts or any other account than the accumulation accounts; or
  - (ii) to transfer the properties not belonging to the accumulation account to the accumulation account.
- (4) If a mutual company which is an insurance company seeks to obtain the approval under the preceding paragraph, it must submit to the Commissioner of the Financial Services Agency the written application for approval, attaching a written statement of reasons.

(Amount of Surplus Subject to Multiplication by Certain Ratio)

Article 30-4 The amount to be specified by Cabinet Office Order, as provided in Article 55-2, paragraph (2) of the Act, is the amount of the surplus not disposed for the period, less the total of the following amounts (the amount is up to the amount of net asset on the balance sheet as provided in Article 55, paragraph (2) of the Act, less the total of the amount stated in the items of the same paragraph):

- (i) the amount of the surplus carried over from the previous period;
- (ii) the amount of reversal for the purpose of voluntary reserve;
- (iii) the amount paid as Interest from Fund as referred to in Article 55, paragraph (1) of the Act;
- (iv) the amount to be set aside in the relevant accounting settlement period, as the loss reserves referred to in Article 58 of the Act;
- (v) the amount to be set aside in the relevant accounting settlement period, as the reserve for redemption of funds referred to in Article 56 of the Act;
- (vi) the amount of voluntary reserve to be set aside in the net asset section in the relevant accounting period, in preparation of allocation to redemption of funds (provided that the amount is up to the amount of the funds (if the company has any funds regarding which the scheduled date of the full redemption is not fixed, the amount of funds is excluded), divided by the number of accounting settlement periods included in the period between the payment date to the scheduled date for the full redemption (if the company has funds regarding which the payment dates or scheduled dates of full redemption are not the same, the total of the amount calculated for the respective types of fund));
- (vii) the amount provided in Article 30, paragraph (2), item (iii);

- (viii) the reversal amount, when the reversal amount of members' dividend reserve as provided in item (i), paragraph (1) of the following Article is included in the surplus for the accounting settlement period.

(Reserve for Distribution of Surplus)

Article 30-5 (1) The reserve to be specified by Cabinet Office Order, as provided in Article 55-2, paragraph (2) of the Act, is as follows:

- (i) members' dividend reserve; and
  - (ii) members' dividend equilibrium reserve.
- (2) The members' dividend reserve referred to in item (i) of the preceding paragraph is to be recorded in the liabilities section of the balance sheet, as the reserve in preparation of distribution of surplus to members.
- (3) A life insurance mutual company (meaning a mutual company which has obtained the life insurance business license under Article 3, paragraph (4) of the Act) may not transfer to the members' dividend reserve referred to in paragraph (1), item (i) the amount in excess of the total of the amount stated in the following items (in the case of the account closing period, including the amount transferred to the following amounts, on the ground of disposition of surplus):
- (i) the amount of reserved dividend (meaning the dividend distributed to members, which are reserved with interests);
  - (ii) the amount of unpaid dividend (meaning the unpaid dividends distributed to members, excluding the reserved dividend as provided in the preceding item) (in the case of the accounting period, including the amounts scheduled to be distributed in the following period);
  - (iii) the amount of dividend payable on expiry (meaning the dividend payable upon expiry of all insurance contracts, calculated based on the presumption that all insurance contracts have expired); and
  - (iv) any other amount equivalent to those stated in the preceding three items, as calculated in accordance with the formula designated in the document stated in Article 4, paragraph (2), item (iv) of the Act.
- (4) A mutual company which is a small amount and short term insurer may not transfer to the members' dividend reserve as referred to in paragraph (1), item (i) the amount in excess of the total of the following amount (in the case of the account closing period, including the amount transferred to the following amount, on the ground of the disposition of surplus):
- (i) the amount of unpaid dividend (meaning the unpaid dividends distributed to members) (in the case of the account closing period, including the amounts scheduled to be distributed in the following period); and
  - (ii) the amount of scheduled dividends to be distributed in the following period, multiplied by five-hundredth.

- (5) The members' dividend equilibrium reserve referred to in paragraph (1), item (ii) is to be recorded in the net asset section of the balance sheet, as the voluntary reserve for the purpose of stabilizing the amount of surplus to be distributed to members.
- (6) When the members' dividend reserve or the members' dividend equilibrium reserve as provided in paragraph (1) is reversed, the total of the reversal amount, less the amount allocated to distribution of surplus to members, must be set aside as the members' dividend reserve or the members' dividend equilibrium reserve; provided, however, that this does not apply to the cases where the remaining amount is allocated to compensation of losses, payment of the Interest from fund, provision of loss reserve, or provision of reserve for redemption of funds.

(Reserve Ratio)

Article 30-6 The ratio to be specified by Cabinet Office Order, as provided in Article 55-2, paragraph (3) of the Act, is 20 percent.

(Application for Authorization for Exception to Provision of Members' Dividend Reserve)

Article 30-7 (1) If a mutual company seeks to obtain the authorization under Article 55-2, paragraph (5) of the Act, it must submit to the Commissioner of the Financial Services Agency or other competent official a written application for authorization, attaching the following documents:

- (i) a written statement of reasons;
  - (ii) minutes of a general meeting or member representatives meeting (in a case where, pursuant to the provisions of Article 319, paragraph (1) (Omission of Resolution at Shareholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Act following the deemed replacement of terms, a resolution of a general meeting is deemed to have been made, the document certifying that the company falls under the relevant case; the same applies below); and
  - (iii) a document containing any other matters which would serve as reference information.
- (2) When the application under the preceding paragraph is filed, the Commissioner of the Financial Services Agency or other competent official is to examine whether the soundness in management of the mutual company would be prejudiced and protection of policyholders, etc. would be hindered, unless the amount to be set aside for the accounting period as the reserve stated in the items of Article 30-5, paragraph (1) is the product after the multiplication by the ratio related to the application, judging from the status of business or properties of the mutual company which has filed the application for

authorization.

(Directors Held Liable in Relation to Payment of Interest from Fund)

Article 30-8 (1) The officers to be specified by Cabinet Office Order, as provided in Article 55-3, paragraph (1), item (i) of the Act, are as follows:

- (i) directors and executive officers who took charge of the duties related to delivery of money through payment of interests from fund, etc. (meaning the payment of interests from fund, etc. as provided in Article 55-3, paragraph (1) of the Act; the same applies below in this Article);
  - (ii) directors and executive officers who gave explanation on matters related to the payment of interests from fund, etc., at the annual general meeting (or the annual member representatives meeting, if a member representatives meeting is organized; the same applies below in this Article) at which the matters related to payment of interests from fund, etc. was resolved;
  - (iii) directors who casted affirmative vote on payment of interests from fund, etc. at the board of directors meeting at which the matters related to payment of interests from fund, etc. was resolved; and
  - (iv) if the company auditor, audit and supervisory committee, audit committee or financial auditor requested the report on calculation of the maximum limit of interest payment (meaning the maximum limit of interest payment as provided in Article 55, paragraph (1) of the Act) or maximum limit of redemption, etc. (meaning the maximum limit of redemption as provided in paragraph (2) of the Article), the director or executive officer who made the report in response to the request.
- (2) The officers to be specified by Cabinet Office Order, as provided in Article 55-3, paragraph (1), item (ii) of the Act, are as follows:
- (i) the director who submitted the item on the agenda for the annual general meeting; and
  - (ii) when the submission of the item on the agenda under the preceding item was made by the resolution of the board of directors meeting, the directors who casted affirmative votes on the submission at the board of directors meeting.

## **Division 7 Reserves for Redemption of Funds and Loss Reserves**

(Preserved Documents Related to Reversal of Reserve for Redemption of Funds)

Article 30-9 The matters to be specified by Cabinet Office Order, as provided in Article 16, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act, are as follows:

- (i) the item on the agenda regarding the reversal of reserve for redemption of funds; and

(ii) the balance sheet.

(Matters Related to Financial Statements)

Article 30-10 The matters to be specified by Cabinet Office Order, as provided in Article 17, paragraph (2) item (ii) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act, are the matters specified in the following items, in accordance with the categories of the cases applicable as of the day of the public notice under Article 17, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act:

(i) if a notifying company (meaning a mutual company referred to in Article 17, paragraph (2), item (ii) of the Act, as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act; the same applies below in this Article) has given a public notice under Article 54-7, paragraph (1) or (2) of the Act, regarding its balance sheet for the most recent business year or summary of that balance sheet: the following information:

(a) if the public notice is given by publication on a daily newspaper featuring news on current events, the name and date of the newspaper, and the page number on which the public notice has been published; or

(b) if the public notice is given by electronic public notice, the matters stated in Article 64, paragraph (2), item (xviii), (a) of the Act;

(ii) if the notifying company has implemented the measures provided in Article 54-7, paragraph (3) of the Act, regarding the balance sheet related to the most recent business year: the matters stated in Article 64, paragraph (2), item (xvi) of the Act, ;

(iii) if the notifying company is a mutual company as provided in Article 54-7, paragraph (4) of the Act, and it has submitted the annual securities report for the most recent business year pursuant to the provisions of Article 24, paragraph (1) (Submission of Annual Reports) of the Financial Instruments and Exchange Act: that fact;

(iv) if the notifying company does not have most recent business year: that fact; and

(v) in cases other than those stated in the preceding items: the details of the summary of the balance sheet for the most recent business year, as specified in Appended Form No. 3 (or Appended Form No. 3-3, in the case of a small amount and short term insurer; or Appended Form No. 3-2, in the case of a company with specified transaction account).

(Public Notice Related to Reversal of Reserve for Redemption of Funds)

Article 30-11 The matter to be specified by Cabinet Office Order, as provided in Article 17, paragraph (2), item (iv) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act, is the reason for the reversal

of reserve for redemption of funds.

(Amount of Claim under Insurance Contract)

Article 30-12 The amount to be specified by Cabinet Office Order, as provided in Article 17, paragraph (6) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act, is as follows: the amount stated in item (i), in the case of a life insurance company; the total of the amounts stated in items (ii) and (iii), in the case of a non-life insurance company; or the amount stated in item (ii), in the case of a small amount and short term insurer:

- (i) the amount to be reserved for the insured, as of the time of the public notice under Article 17, paragraph (2) of the Act, as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act (referred to below as the "public notice" in this Article);
- (ii) the amount of the insurance premiums corresponding to the unexpired period (meaning the insurance period provided for in an insurance contract, outstanding as of the time of the public notice); and
- (iii) the amount to be reserved as the refund reserve referred to in Article 70, paragraph (1), item (iii), as of the time of the public notice.

(Matters to Be Stated in Preserved Documents Related to Reversal of Reserve for Redemption of Funds)

Article 30-13 The matters to be specified by Cabinet Office Order, as provided in Article 17-4, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act, are as follows:

- (i) the progress of the procedures as provided in Article 17 of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act;
- (ii) the status of public notice under Article 17, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act; and
- (iii) the day of the registration of change reflecting the reversal of reserve for redemption of funds.

(Application for Authorization of Reversal of Reserve for Redemption of Funds)

Article 30-14 (1) If a mutual company seeks to obtain an authorization under Article 57, paragraph (5) of the Act, it must submit to the Commissioner of the Financial Services Agency or other competent official a written application for authorization, as well as the following documents attached to it:

- (i) a written statement of reasons;
- (ii) minutes of a general meeting or member representatives meeting;
- (iii) a balance sheet;
- (iv) a document certifying that the public notice under Article 17, paragraph (2)

- of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act has been given;
- (v) if any policyholder or any other creditor has raised an objection under Article 17, paragraph (4) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act, a document certifying the fact that the payment has been made or reasonable security has been provided to the policyholder or any other creditor, or reasonable property has been deposited in trust with a trust company, etc. for the purpose of having the policyholder or other creditor receive the payment, or that the reversal of reserve for redemption of funds bears no risk of detriment to the policyholder or other creditor;
  - (vi) a document certifying that the number of policyholders who raised objections under Article 17, paragraph (6) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act did not exceed one-fifth of the total number of policyholders as referred in Article 17, paragraph (6) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act; or a document certifying that the amount related to the policyholders as provided in the preceding Article 30-12 did not exceed one-fifth of the total of the amount referred to in Article 17, paragraph (6) of the Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of the Act;
  - (vii) a document containing any other matters which would serve as reference information.
- (2) When an application for the authorization under the preceding paragraph has been filed, the Commissioner of the Financial Services Agency or other competent official is to examine whether the application conforms to the following requirements:
- (i) that any reason is found, which renders it inevitable for the mutual company applying for the authorization (referred to below as "applicant insurance company, etc." in this paragraph) to implement the reversal of reserve for redemption of funds for which the application for authorization has been filed;
  - (ii) that the total amount of fund (including reserve for redemption of funds referred to in Article 56 of the Act) of the applicant insurance company, etc. will not be less than the amount provided in Article 2-2 of the Cabinet Order (or Article 38-3 of the Cabinet Order, if the applicant insurance company, etc. is a small amount and short term insurer), and that the amount will be sufficient for carrying out its business in a sound and efficient manner, even after the implementation of the reversal of reserve for redemption of funds; and
  - (iii) if the applicant insurance company, etc. is an insurance company, that it

has good prospects for income and expenditure even after the implementation of the reversal of reserve for redemption of funds.

(Requirement for Loss Reserves)

Article 30-15 The reserve to be specified by Cabinet Office Order, as provided in Article 58 of the Act, is the reserve stated in the items of Article 30-5, paragraph (1).

### **Subsection 3 Solicitation of Subscribers for Corporate Bonds Issued by Mutual Company**

(Terms of Solicitation)

Article 31 The matters to be specified by Cabinet Office Order, as provided in Article 61, item (xii) of the Act, are follows:

- (i) when the payment of money in exchange for the corporate bonds for subscription (meaning the corporate bonds for subscription as provided in Article 61 of the Act; the same applies below in this Section) is to be made on several occasions, that fact, and the amount to be paid (meaning the amount to be paid as provided in Article 61, item (ix) of the Act) on each of the payment dates;
- (ii) when the corporate bonds for subscription are to be issued jointly with any other company (including a mutual company; the same applies in Article 31-4 and Article 32), that fact, and the proportionate share to be borne by each company;
- (iii) when the contract is to be concluded, which provides that, in lieu of payment of money in exchange for the corporate bonds for subscription, the property other than money is delivered, the details of the contract;
- (iv) when, under the contract related to entrustment under Article 61-6 of the Act, the authorities other than the bond administrator's authorities as provided in the Act is to be prescribed, the details of the authorities;
- (v) when the main clause of Article 711, paragraph (2) (Resignation of Bond Administrators) of the Companies Act, as applied mutatis mutandis pursuant to Article 61-7, paragraph (8) of the Act following the deemed replacement of terms (including as applied mutatis mutandis pursuant to Article 714-7 (Application Mutatis Mutandis of Provisions on Bond Administrators) of the Companies Act, as applied mutatis mutandis pursuant to Article 61-7-3, paragraph (6) of the Act following the deemed replacement of terms) applies, the grounds specified in the main clause of Article 711, paragraph (2) of the Companies Act, as applied mutatis mutandis pursuant to Article 61-7, paragraph (8) of the Act following the deemed replacement of terms;
- (vi) if all or a portion of the authority to conduct the acts stated in the items of

- Article 61-7-3, paragraph (2) of the Act or the authority other than the authority of a bond administration assistant provided in the Act is prescribed in a contract related to entrustment under Article 61-7-2 of the Act, the content of that authority; and
- (vii) the content of the provisions relating to a report under Article 61-7-3, paragraph (4) of the Act or the measure prescribed in that paragraph in a contract related to entrustment under Article 61-7-2 of the Act.

(Matters Requiring Notices to Prospective Subscribers of Corporate Bonds)

Article 31-2 The matters to be specified by Cabinet Office Order, as provided in Article 61-2, paragraph (1), item (iii) of the Act, are as follows:

- (i) if a bond administrator is appointed, their name and address;
- (ii) if a bond administration assistant is appointed, their name and address; and
- (iii) if a bond register administrator is appointed (meaning the bond register administrator as provided in Article 683 (Bond Register Administrator) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act; the same applies below in this Subsection), their name and address.

(Exemption from Requirement of Notification to Prospective Subscriber)

Article 31-3 The cases to be specified by Cabinet Office Order, as provided in Article 61-2, paragraph (4) of the Act, are the cases stated in the following, where the mutual company has provided the prospective applicant referred to in paragraph (1) of the Article with information stated in the items of the same paragraph:

- (i) the cases where the mutual company has provided, by the electronic or magnetic means, information to be contained in the prospectus pursuant to the provisions of the Financial Instruments and Exchange Act; or
- (ii) the cases where, pursuant to the provisions of the laws and regulations of foreign states, the mutual company has provided prospectus or any other document equivalent thereto as well as any other materials.

(Classes of Corporate Bonds)

Article 31-4 The matters to be specified by Cabinet Office Order, as provided in Article 681, item (i) (Bond Register) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act following the deemed replacement of terms, are as follows:

- (i) interest rate of the corporate bonds;
- (ii) method and maturity of redemption of corporate bonds;
- (iii) method and due date of interest payment;
- (iv) if the corporate bond certificates are to be issued, that fact;

- (v) when the corporate bondholders are not allowed to make a request, in whole or part, as referred to in Article 698 (Conversions between Registered Bonds and Bearer Bonds) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act, that fact;
- (vi) if a bond administrator is not to be appointed, that fact;
- (vii) when the bond administrator may perform the acts stated in Article 61-7, paragraph (4), item (ii) of the Act without the resolution of the bondholders meeting, that fact;
- (viii) if a bond administration assistant is to be appointed, that fact;
- (ix) when the corporate bonds for subscription are to be issued jointly with any other company, that fact, and the proportionate share to be borne by each company;
- (x) if a bond administrator is appointed, their name and address; and the terms and conditions of a contract related to entrustment under Article 61-6 of the Act;
- (xi) when a bond administration assistant is appointed, their name and address, and the content of a contract related to entrustment under Article 61-7-2 of the Act;
- (xii) if a bond register administrator is appointed, their name and address; and
- (xiii) when the corporate bond falls under the category of the secured bond, the matters stated in Article 19, paragraph (1), items (i), (xi) and (xiii) of the Secured Bond Trust Act (Act No. 52 of 1905).

(Matters to Be Stated in Bond Register)

Article 31-5 The matters to be specified by Cabinet Office Order, as provided in Article 681, item (vii) (Bond Register) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act following the deemed replacement of terms, are as follows:

- (i) when, in lieu of payment of money in exchange for the corporate bonds for subscription, property other than money was delivered, the value of the properties, and the date of delivery; and
- (ii) when the bondholder offset the obligation for payment of money in exchange for the corporate bonds for subscription with the claim held against to the mutual company, the amount of the claim and the date of the offset.

(Persons Permitted Access to Information)

Article 31-6 The persons to be specified by Cabinet Office Order, as provided in Article 684, paragraph (2) (Keeping and Making Available for Inspection of Bond Register) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act following the deemed replacement of terms, are the bondholders, and any other creditors and members of the mutual company

which is the issuer of the corporate bond.

(Request for Entry of Matters to Be Contained in Bond Register)

Article 31-7 (1) The matters to be specified by Cabinet Office Order, as provided in Article 691, paragraph (2) (Entering or Recording Information Required to Be Entered in Bond Register as Requested by Bondholders) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act following the deemed replacement of terms, are as follows:

- (i) if the corporate bond acquirer has obtained a final and binding judgment ordering that the person stated or recorded as the bondholder in the bond register or the bondholder's general successor is to, pursuant to the provisions of Article 691, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act, make a request related to the corporate bonds acquired by the corporate bond acquirer, and where the corporate bond acquirer has made a request by providing the documents certifying the details of the final and binding judgment and any other materials;
  - (ii) when the corporate bond acquirer made a request by providing documents certifying the substances of the instrument having the same validity as the final and binding judgment as referred to in the preceding item;
  - (iii) if the corporate bond acquirer has acquired the corporate bonds of the mutual company by way of general succession, and has made a request by providing the documents certifying the fact of the general succession and any other materials; and
  - (iv) if the corporate bond acquirer has acquired the corporate bonds of the mutual company by way of auction, and has made a request by providing the documents certifying acquisition by way of auction and any other materials.
- (2) Notwithstanding the provisions of the preceding paragraph, if the terms of the corporate bonds acquired by the corporate bond acquirer provides that the corporate bond certificates are issued, the case to be specified by Cabinet Office Order, as provided in Article 691, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act following the deemed replacement of terms, is the case where the corporate bond acquirer has made a request by presenting the corporate bond certificates.

(Exemption from Requirement of Appointment of Bond Administrator)

Article 31-8 The cases to be specified by Cabinet Office Order, as provided in Article 61-6 of the Act, are the case where the amount of the aggregate amount of a specific class of corporate bonds (the term "class" means the class as provided in Article 681, item (i) (Bond Register) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Act; the same applies

below in this Article), divided by the minimum amount of the respective class of corporate bonds is less than fifty.

(Qualifications of Bond Administrator)

Article 31-9 A person specified by Cabinet Office Order, as provided in Article 703, item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 61-7, paragraph (8) of the Act following the deemed replacement of terms, are as follows:

- (i) a person licensed under Article 3 (Licenses) of the Secured Bond Trust Act;
- (ii) agricultural cooperatives or a federation of agricultural cooperatives which additionally engage in the business referred to in Article 10, paragraph (1), items (ii) and (iii) (Business) of the Agricultural Cooperatives Act;
- (iii) credit cooperatives, or a federation of cooperatives that carries out the business referred to in Article 9-9, paragraph (1), item (i) (Federation of Cooperatives) of the Small and Medium Sized Enterprise Cooperatives Act;
- (iv) a shinkin bank, or a federation of shinkin banks;
- (v) The Rokinren Bank;
- (vi) the long term credit bank as Provided in Article 2 (Definitions) of the Long Term Credit Bank Act (Act No. 187 of 1952);
- (vii) an insurance company;
- (viii) The Norinchukin Bank; and
- (ix) The Shoko Chukin Bank Ltd.

(Special Relationship)

Article 31-10 (1) The special relationships to be specified by Cabinet Office Order, as provided in Article 710, paragraph (2), item (ii) (Liability of Bond Administrator) of the Companies Act as applied mutatis mutandis pursuant to Article 61-7, paragraph (8) of the Act following the deemed replacement of terms (including as applied mutatis mutandis pursuant to Article 712 (Liability of Bond Administrators after Resignation) of the Companies Act as applied mutatis mutandis pursuant to Article 61-7, paragraph (8) of the Act), are as follows:

- (i) relationship between a holder of the voting rights exceeding 50 percent of the voting rights held by all members or all shareholders of a corporation (referred to below as a "controlling member" in this Article), and the relevant corporation (referred to below as the "controlled corporation" in this Article); and
  - (ii) relationship between the controlled corporation, and another controlled corporation of the controlling member.
- (2) If the controlling member and its controlled corporation hold voting rights in excess of 50 percent of the voting rights held by all members or all

shareholders of another corporation, the relevant other corporation is also deemed as a controlled corporation of the controlling member, and the provisions of the preceding paragraph apply.

(Qualifications of Assistant Bond Administrator)

Article 31-11 The persons to be specified by Cabinet Office Order, as provided in Article 714-3 of the Companies Act, as applied *mutatis mutandis* pursuant to Article 61-7-3, paragraph (6) of the Act following the deemed replacement of terms, are as follows:

- (i) an attorney;
- (ii) a legal professional corporation; and
- (iii) a joint corporation of attorneys and registered foreign lawyers.

(Matters to Be Determined upon Calling of Bondholders' Meeting)

Article 31-12 The matters to be specified by Cabinet Office Order, as provided in Article 719, item (iv) (Determination of Convocation of Bondholders Meetings) of the Companies Act as applied *mutatis mutandis* pursuant to Article 61-8, paragraph (2) of the Act following the deemed replacement of terms, are as follows:

- (i) the matters to be stated in the reference documents for bondholders meetings (meaning the reference documents for bondholders meetings as provided in Article 721, paragraph (1) (Delivery of Reference Documents for Bondholders Meeting and Voting Forms) of the Companies Act as applied *mutatis mutandis* pursuant to Article 61-8, paragraph (2) of the Act; the same applies in the following Article), pursuant to the provisions of the following Article;
- (ii) the time limit for the exercise of voting rights in writing (limited to the timing on or before the date and time of the bondholders meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 720, paragraph (1) (Notice of Convocation of Bondholders Meetings) of the Companies Act as applied *mutatis mutandis* pursuant to Article 61-8, paragraph (2) of the Act);
- (iii) the matter related to treatment of the exercise of voting rights by a bondholder, if the treatment is provided for the cases where a single bondholder exercises the voting rights in duplicate for the same item on the agenda pursuant to the provisions of Article 726, paragraph (1) (Voting in Writing) of the Companies Act as applied *mutatis mutandis* pursuant to Article 61-8, paragraph (2) of the Act (or, if the matters stated in Article 719, item (iii) of the Companies Act as applied *mutatis mutandis* pursuant to Article 61-8, paragraph (2) of the Act have been prescribed, pursuant to the provisions of Article 726, paragraph (1) or Article 727, paragraph (1) (Voting

by Electronic or Magnetic Means) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act), and there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda;

- (iv) if the treatment under Article 31-14, paragraph (1), item (iii) is to be prescribed, the details of the treatment;
- (v) if the matters stated in Article 719, item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act have been prescribed, the following matters:
  - (a) the time limit for the exercise of voting rights by electronic or magnetic means (limited to the timing on or before the date and time of the bondholders meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 720, paragraph (1) (Notice of Convocation of Bondholders' Meeting) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act);
  - (b) if the voting form (meaning the voting form as provided in Article 721, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act; the same applies in Article 31-14) under Article 721, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act is to be delivered (including provision by electronic or magnetic means in lieu of the delivery, as under in Article 721, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act) to a bondholder and who has given an approval under Article 720, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act, subject to the bondholders request, that fact.

(Reference Documents for Bondholders Meetings)

Article 31-13 (1) The reference documents for bondholders meetings must contain the following matters:

- (i) items on the agenda, and reason for the proposal;
  - (ii) when the item on the agenda relates to the election of representative bondholder, the following matters:
    - (a) the name of the candidate;
    - (b) the brief history or outline of the candidate; and
    - (c) if the candidate has any special relationship with the mutual company which is the issuer of the corporate bond, or with the bond administrator or bond administration assistant, the brief description of the facts.
- (2) Beyond what is provided for in the preceding paragraph, reference documents

for bondholders meetings may include any matter as may be deemed informative in exercising the voting rights by bondholders.

- (3) If, among the matters to be stated in the reference documents for bondholders meetings to be provided to bondholders in connection with the same bondholders meeting, there is any matter already specified in other document or any information provided by way of the electronic or magnetic means, these matters need not be included in the reference documents for bondholders meetings.
- (4) If, among the matters to be included in the notice of calling (meaning a notice under Article 720, paragraph (1) or (2) (Notice of Convocation of Bondholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act; the same applies below in this Article and the following Article) to be sent to the bondholders in connection with the same bondholders meeting, there is any matter stated in the reference documents for bondholders meetings, these matters need not be included in the notice of calling.

#### (Voting Forms)

Article 31-14 (1) The matters to be stated in the voting form to be delivered pursuant to the provisions of Article 721, paragraph (1) (Delivery of Reference Documents for Bondholders Meetings and Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act, or the matters to be stated in the voting form provided by the electronic or magnetic means as referred to in Article 722, paragraph (1) or (2) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act are as follows:

- (i) space to indicate answer whether the bondholder consents to or dissents from each item on the agenda (if the space to indicate abstention from voting is to be provided, including space to indicate the abstention from voting);
- (ii) if the matters stated in Article 31-12, item (iii) have been prescribed, those matters;
- (iii) the details of the treatment, if, when the matters stated in Article 31-12, item (iv) have been prescribed and where a voting form has been submitted to the convener (meaning the convener as provided in Article 719 (Determination of Convocation of Bondholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act; the same applies below in this Article) without any entry into the space referred to in item (i), the bondholder is to be treated to have manifested the intention to cast an affirmative or negative vote on the items or agenda, or to abstain from voting;
- (iv) the time limit for the exercise of voting rights; and

- (v) the name of the bondholders to exercise the voting rights, and the value of voting rights they entitle to exercise.
- (2) If the company has prescribed any provisions on the matters stated in Article 31-12, item (v), (b), a convener must, upon the request from the bondholder which has given an approval pursuant to the provisions of Article 720, paragraph (2) (Notice of Convocation of Bondholders Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act, deliver to the bondholder a voting form under Article 721, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery pursuant to the provisions of Article 721, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act).
- (3) If, among the matters to be contained in the notice of calling to be provided to bondholders in connection with the same bondholders meeting (limited to the matters specified in paragraph (1), items (ii) through (iv)), there is any matter already stated in the notice of calling, that matter need not be contained in the voting form to be provided to bondholders.
- (4) If, among the matters to be contained in the notice of calling to be provided to bondholders in connection with the same bondholders meeting, there is any matter already stated in the voting form, that matter need not be contained in the notice of calling to be provided to bondholders.

(Time Limit for Exercise of Voting Rights in Writing)

Article 31-15 The timing to be specified by Cabinet Office Order, as provided in Article 726, paragraph (2) (Voting in Writing) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act following the deemed replacement of terms, is the time limit for exercise referred to in Article 31-12, item (ii).

(Time Limit for Exercise of Voting Rights by Electronic or Magnetic Means)

Article 31-16 The timing to be specified by Cabinet Office Order, as provided in Article 727, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act following the deemed replacement of terms, is the time limit for exercise referred to in Article 31-12, item (v), (a).

(Minutes of Bondholders Meeting)

Article 31-17 (1) The preparation of the minutes of bondholders meeting, as referred to in Article 731, paragraph (3) (Minutes) of the Companies Act as

applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act, is as prescribed in this Article.

- (2) The minutes of bondholders meeting must be prepared in writing or by electronic or magnetic records.
- (3) The minutes of bondholders meeting must contain the following matters:
  - (i) the date and place of convocation of the bondholders meeting;
  - (ii) the substance of the proceedings of the bondholders meeting, as well as the results;
  - (iii) if, pursuant to the provisions of Article 729, paragraph (1) (Attendance of Representative of Bond-Issuing Company) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act, any opinion was presented at the bondholders meeting, the outline of the opinions;
  - (iv) the name of the representative or agent of the mutual company which is the issuer of the corporate bond, present at the bondholders meeting;
  - (v) the name of the representative or agent of the bond administrator, or the name of the bond administration assistant or its representative or agent, present at the bondholders meeting;
  - (vi) if the bondholders meeting was presided over by the chairperson, the name of the chairperson; and
  - (vii) the name of the person who took charge of the duties of preparation of the minutes.
- (4) If a resolution at a bondholders meeting is deemed to have been passed pursuant to the provisions of Article 735-2, paragraph (1) of the Companies Act, as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Act following the deemed replacement of terms, the minutes of the bondholders meeting are to include the following:
  - (i) the details of the matters which are deemed to have been resolved at the bondholders meeting;
  - (ii) the name of the person who proposed the matter referred to in the preceding item;
  - (iii) the day when the resolution of the bondholders meeting is deemed to have been made; and
  - (iv) the name of the person who took charge of the duty of the preparation of minutes.

#### **Subsection 4 Transfer, etc. of Business**

(Total Amount of Assets)

Article 32 (1) The method to be specified by Cabinet Office Order, as provided in Article 62-2, paragraph (1), item (ii) and item (ii)-2, (a) of the Act, is the

method whereby the total of the following amounts as of the cut-off date (meaning the date of conclusion of a contract for a transfer as provided in item (ii) or (ii)-2 of the same paragraph (if, under the contract, the timing other than the conclusion date (limited to the timing between the date of conclusion of the contract and the time immediately before the time when the transfer becomes effective) has been designated, the timing); the same applies below in this Article) is treated as the total amount of assets of the mutual company:

(i) the amount of the funds;

(ii) the amount of reserve for redemption of funds;

(iii) the deficit in reserve for redemption of funds;

(iv) the amount of the reassessment reserve;

(v) the amount of surplus;

(vi) the amount related to valuation and translation adjustments, etc. as of the last day of the most recent business year (if the mutual company has no most recent business year, as of the day of the incorporation; the same applies below in this paragraph and in item (vi), paragraph (1) of the following Article);

(vii) the amount recorded in the liabilities section as of the last day of the most recent business year; and

(viii) if, after the last day of the most recent business year, succession of the rights and obligations related to the business of other company through absorption-type merger, or acquisition of the entire business of other company (including a foreign company and a foreign mutual company) was implemented, the amount of liabilities succeeded to or acquired due to the conducts.

(2) Notwithstanding the provisions of the preceding paragraph, if, as of the cut-off date, the mutual company implementing the transfer as provided in Article 62-2, paragraph (1), item (ii) or (ii)-2 of the Act is a liquidating mutual company (meaning a liquidating mutual company as provided in Article 180-2 of the Act; the same applies below), the method to be specified by Cabinet Office Order, as provided in item (ii) and item (ii)-2, (a) of the same paragraph, is the method whereby the amount recorded in the asset section of the balance sheet prepared pursuant to the provisions of Article 492, paragraph (1) (Preparation of Inventory of Property) of the Companies Act as applied mutatis mutandis pursuant to Article 180-17 of the Act is treated as the total amount of assets of the mutual company.

(Amount of Net Assets)

Article 32-2 (1) The method to be specified by Cabinet Office Order, as provided in Article 62-2, paragraph (1), item (iv), (b) of the Act, is the method whereby the total of the following amounts as of the cut-off date (meaning the date of

conclusion of a contract for an acquisition as provided in that item (if, under the contract, the timing other than the conclusion date (limited to the timing between the date of conclusion of the contract and the time immediately before the time when the acquisition becomes effective) has been designated, the timing); the same applies below in this Article) is treated as the amount of net assets of the mutual company:

- (i) the amount of funds;
- (ii) the amount of reserve for redemption of funds;
- (iii) the deficit in reserve for redemption;
- (iv) the amount of reassessment reserve;
- (v) the amount of surplus; and
- (vi) the amount related to valuation and translation adjustments, etc. as of the last day of the most recent business year.

- (2) Notwithstanding the provisions of the preceding paragraph, if, on the cut-off date, the mutual company implementing the acquisition provided in Article 62-2, paragraph (1), item (iv) of the Act is a liquidating mutual company, the method to be specified by Cabinet Office Order, as provided in (b) of that item, is the method whereby the amount recorded in the asset section of the balance sheet prepared pursuant to the provisions of Article 492, paragraph (1) (Preparation of Inventory of Property) of the Companies Act as applied mutatis mutandis pursuant to Article 180-17 of the Act, less the amount recorded in the liabilities section (or five million yen, if the amount is less than five million yen) is treated as the amount of net assets of the mutual company.

### **Subsection 5 Miscellaneous Provisions**

(Non-Membership Contract)

Article 33 (1) The types of insurance contracts to be specified by Cabinet Office Order, as provided in Article 63, paragraph (1) of the Act, are an insurance contract without an option of distribution of surplus.

- (2) The matter to be specified by Cabinet Office Order, as provided in Article 63, paragraph (2) of the Act, is the limit on underwriting of insurance under the insurance contract referred to in paragraph (1) of the same Article (referred to below as "non-membership contract" in this Section).

- (3) The ratio of the sum of the amounts stated in items (i) and (ii) which relates to the insurance contract wherein the mutual company is the insurer, to the sum of the amounts stated in items (iii) and (iv), must not exceed 20 percent:

- (i) the aggregate amount of insurance premiums for the primary insurance contract which fall under the category of non-membership contract;
- (ii) for each insurance company which is the policyholder under outwards reinsurance contract (meaning a reinsurance contract underwritten for

- another insurance company (including a foreign insurer; the same applies below in this paragraph); the same applies below in this paragraph), the sum of the following amounts: the aggregate amount of insurance premiums under the outwards insurance contract underwritten for another insurance company (referred to below as "outwards reinsurance premiums" in this paragraph) after deduction of the total insurance premiums under the reinsurance contract wherein the insurer is the insurance company, in which case the deduction is up to the first-mentioned aggregate amount, multiplied by the proportion of the aggregate amount of insurance premiums under the non-membership contract to the aggregate amount of the outwards reinsurance premiums in relation to another insurance company;
- (iii) the aggregate amount of insurance premiums under the outwards reinsurance contract; and
  - (iv) for each insurance company which is the policyholder under the outwards reinsurance contract, the sum of the following: aggregate amount of outwards reinsurance premiums related to the insurance company, after the deduction of the aggregate amount of insurance premiums under the reinsurance wherein the insurer is another insurance company as the insured, in which case the deduction is up to the first-mentioned aggregate amount.
- (4) Notwithstanding the provisions of the preceding paragraph, if the articles of incorporation provides that the policyholders will not be the members under the contract for automobile damage liability insurance prescribed in Article 5 (Mandatory Execution of Liability Insurance Contract) of the Automobile Liability Security Act or under the earthquake insurance contract as provided in Article 2, paragraph (2) (Definitions) of the Act on Earthquake Insurance (Act No. 73 of 1966), the insurance premiums under these insurance contract are to be excluded for the calculation of the insurance premiums under the preceding paragraph.
- (5) Notwithstanding the provisions of paragraph (3), when the insurance contracts are transferred from the insurance company, etc. or foreign insurance company, etc. which has been subject to an order to hold a consultation on transfer of the insurance contracts pursuant to the provisions of Article 241, paragraph (1) of the Act, or where the insurance contracts are transferred from the managed company (meaning the managed company referred to in Article 242, paragraph (1) of the Act; the same applies in the following paragraph) in accordance with the plan under Article 247, paragraph (1) of the Act as approved pursuant to the provisions of paragraph (2) of the same Article (including the approval under paragraph (4) of the Article; the same applies in the following paragraph), the insurance premiums under these insurance contracts transferred are to be excluded for the calculation of the insurance

premiums under paragraph (3).

- (6) Notwithstanding the provisions of paragraph (3), when the mutual company is merged with the insurance company ordered to hold a consultation on merger pursuant to the provisions of Article 241, paragraph (1) of the Act, or where the mutual company merges with the managed company in accordance with the plan under Article 247, paragraph (1) of the Act as approved pursuant to the provisions of paragraph (2) of the same Article, the insurance premiums under the insurance contracts wherein the insurance company or the managed company the insured are to be excluded for the calculation of the insurance premiums under paragraph (3).

Article 34 When a mutual company intends to conclude a non-membership contract, it must notify the prospective policyholder the fact that the person will not acquire a status of a member.

Article 35 Regarding accounting related to non-membership contracts, a document specifying the status of income and expenditure for the business year must be prepared, which must be submitted to the Commissioner of the Financial Services Agency (in the case of a mutual company which falls under the category of a small amount and short term insurer (excluding the small amount and short term insurer designated by the Commissioner of the Financial Services Agency), the Director-General of Local Finance Bureau having jurisdiction over the location of the small amount and short term insurer's head office or principal office (or the Director-General of the Fukuoka Local Finance Branch Bureau, if the location falls within the district of the Fukuoka Local Finance Branch Bureau)), within four months after the end of the business year.

(Matters Related to Commercial Registration)

Article 35-2 (1) The measures to be specified by Cabinet Office Order, as provided in the provisions stated in the following items are the characters, numbers, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing the measure under the same paragraph, which enables the information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers:

- (i) Article 64, paragraph (2), item (xvi) of the Act: measure under Article 54-7, paragraph (3) of the Act; and
- (ii) Article 64, paragraph (2), item (xviii), (a): electronic public notice to be given by a mutual company.

- (2) In the case provided in Article 64, paragraph (2), item (xviii) of the Act, the matters specified in (a) of that item which are for receiving the provision of information on the details of the public notice of account closing (meaning the public notice under Article 54-7, paragraph (1) of the Act; the same applies below in this paragraph) may be registered separately from the matters which are for receiving the provision of information on the details of the public notice other than that public notice of account closing.

### **Section 3 Entity Conversion**

#### **Subsection 1 Entity Conversion from Stock Company to Mutual Company**

(Entity Conversion Plan on Entity Conversion from Stock Company to Mutual Company)

Article 36 The matters to be specified by Cabinet Office Order, as provided in Article 69, paragraph (4), item (v) of the Act, are as follows:

- (i) if the converted mutual company (meaning a converted mutual company as provided in Article 69, paragraph (4), item (i) of the Act; the same applies below) delivers, upon the entity conversion, to shareholders of the converting stock company money in lieu of the shares, the amount of the money and of calculation;
- (ii) in the case provided in the preceding item, the matters related to allocation of money under that item to the shareholder of the converting stock company (such shareholder excludes the converting stock company);
- (iii) if the converting stock company has issued share options, the amount or calculation method of money in lieu of the share options, which is to be delivered by the converted mutual company to the share option holders upon the implementation of the entity conversion;
- (iv) in the case provided in the preceding item, the matters related to allocation of money under the same paragraph to the share option holders of the converting stock company; and
- (v) the amount of voluntary reserve of the converted mutual company.

(Matters Subject to Prior Disclosure by Converting Stock Company)

Article 36-2 The matters specified by Cabinet Office Order, as provided in Article 69-2, paragraph (1) of the Act, are as follows:

- (i) the details of the item on the agenda regarding the entity conversion;
- (ii) matters related to adequacy of the provisions on the matters stated in items (i) and (ii) of the preceding Article (if there is no such provision, the adequacy as to the lack of provision);
- (iii) matters related to adequacy of the aggregate amount of the funds as

- referred to in Article 69, paragraph (4), item (i) of the Act, and the amount of the reserve as referred to in item (ii) of the same paragraph;
- (iv) the matters related to adequacy of the provisions on the matters stated in items (iii) and (iv) of the preceding Article, if the converting stock company has issued share options;
  - (v) the following matters related to the converting stock company (excluding a liquidating stock company (meaning a liquidating stock company as provided in Article 476 (Capacity of Liquidating Stock Companies) of the Companies Act; the same applies below)):
    - (a) the details of the financial statements, etc. related to the most recent business year (the term "financial statements" has the following meanings: in the case of a stock company, the financial statements for each business year (meaning the financial statements as provided in Article 435, paragraph (2) (Preparation and Retention of Financial Statements) of the Companies Act (including the cases where applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms); the same applies in Section 2 of Chapter VIII), and business report for each business year (including the audit report and accounting audit report, in cases of falling under Article 436, paragraph (1) or (2) (Audit of Financial Statements) of the Companies Act (including the cases where applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms)); or, in the case of a mutual company, the financial statements for each business year (meaning the financial statements provided in Article 54-3, paragraph (2) of the Act; the same applies below in this Section and Chapter VIII, Section 2) and business report for each business year (including audit report or accounting audit report); the same applies below in this Section, and Sections 2 and 2-2 of Chapter VIII) (if the company has no most recent business year, the details of the balance sheet as of the day of incorporation of the converting stock company);
    - (b) if the company has provisional financial statements, etc. (meaning the provisional financial statements as provided in Article 441, paragraph (1) (Provisional Financial Statements) of the Companies Act (including the audit report or accounting audit report, if the provisions of paragraph (2) of the Article apply); the same applies below) prepared as of a certain day which falls after the last day of the most recent business year (if the company has no most recent business year, after the date of incorporation of the converting stock company; the same applies in (c)) as the provisional account closing date (if there are two or more provisional account closing dates, the latest day), the details of the provisional financial statements, etc.; and

- (c) if, after the last day of the most recent business year, disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on the company's asset status has taken place, the details of event (if the new most recent business year falls within the period between the day on which the entity conversion plan began to be kept (meaning the day on which the entity conversion plan began to be kept as provided in Article 69-2, paragraph (2) of the Act; the same applies below in this Section) and the day when the entity conversion becomes effective, the above is limited to the accounts of the events which have taken place after the last day of the new most recent business year);
- (vi) the balance sheet of by the converting stock company (limited to a liquidating stock company) prepared pursuant to the provisions of Article 492, paragraph (1) (Preparation of Inventory of Property) of the Companies Act;
- (vii) the matters related to the prospect on performance by the converted mutual company of its obligations (limited to the obligations against the policyholder or any other creditor entitled to raise an objection as to the entity conversion pursuant to the provisions of Article 70, paragraph (1) of the Act (excluding the obligations related to the rights (excluding insurance claims, etc.) of the policyholders or any other holder of the rights in an insurance contract)); and
- (viii) if, for the period between the day on which the entity conversion plan began to be kept and the day when the entity conversion becomes effective, any change has arisen in any of the matters listed in the preceding items, those matters after the change.

(Matters Subject to Ex-Post Facto Disclosure by Converted Mutual Company)

Article 36-3 The matters to be specified by Cabinet Office Order, as provided in Article 69-2, paragraph (4) of the Act, are the matters specified in the items of the preceding Article.

(Matters Related to Financial Statements)

Article 36-4 The matters to be specified by Cabinet Office Order, as provided in Article 70, paragraph (2), item (iii) of the Act, are the matters prescribed in the following items, in accordance with the categories of the cases applicable as of the date of public notice under the same paragraph:

- (i) if a converting stock company has given a public notice under Article 440, paragraphs (1) and (2) (Public Notice of Financial Statements) of the Companies Act applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms regarding its balance sheet for the most recent business year or its summary: the following information:

- (a) if the public notice is given by publication on a daily newspaper featuring news on current events, the name and date of the newspaper, and the page number on which the public notice has been published; or
- (b) if the public notice is given by electronic public notice, the matters stated in Article 911, paragraph (3), item (xxviii), (a) (Registration of Incorporation of a Stock Company) of the Companies Act;
- (ii) if the converting stock company has implemented the measures provided in Article 440, paragraph (3) of the Companies Act, regarding the balance sheet for the most recent business year: the matters stated in Article 911, paragraph (3), item (xxvi) of that Act;
- (iii) if the converting stock company is a stock company as provided in Article 440, paragraph (4) of the Companies Act, and where it has submitted the annual securities report for the most recent business year pursuant to the provisions of Article 24, paragraph (1) (Submission of Annual Reports) of the Financial Instruments and Exchange Act: that fact;
- (iv) if, pursuant to the provisions of Article 28 (Exclusion from Application of Provisions Concerning Public Notice of Financial Statements) of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act, the converting stock company is exempted from application of Article 440 of the Companies Act: that fact;
- (v) if the converting stock company does not have most recent business year: that fact;
- (vi) if the converting stock company is a liquidating stock company: that fact;
- (vii) in cases other than those stated in the preceding items: the details of the summary of the balance sheet for the most recent business year as specified in Appended Form No. 2 (or Appended Form No. 2-3, in the case of a small amount and short term insurer; or Appended Form No. 2-2, in the case of a company with specified transaction account).

(Matters Subject to Public Notice Related to Entity Conversion from Stock Company to Mutual Company)

Article 36-5 The matters to be specified by Cabinet Office Order, as provided in Article 70, paragraph (2), item (v) of the Act, are as follows:

- (i) the total amount of the funds in the converted mutual company;
- (ii) the matters related to compensation for shareholders and share option holders; and
- (iii) the matters related to the rights of policyholders, after the implementation of the entity conversion.

(Amount of Claims Concerning Insurance Contract)

Article 37 The amount to be specified by Cabinet Office Order, as provided in

Article 70, paragraph (6) of the Act, is the amount stated in item (i), in the case of a life insurance company; the total of the amounts stated in items (ii) and (iii), in the case of a non-life insurance company; and the amount stated in item (ii), in the case of a small amount and short term insurer:

- (i) the amount to be reserved for the insured, as of the time of the public notice under Article 70, paragraph (2) of the Act (referred to below as the "public notice" in this Article);
- (ii) the amount of the insurance premiums corresponding to the unexpired period (meaning the insurance period provided for in an insurance contract, outstanding as of the time of the public notice); and
- (iii) the amount to be reserved as the refund reserve referred to in Article 70, paragraph (1), item (iii), as of the time of the public notice.

(Matters to Be Determined upon Calling of Meeting)

Article 38 The matters to be specified by Cabinet Office Order, as provided in Article 67, paragraph (1), item (v) (Determinations to Call Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms, are as follows:

- (i) if the place of policyholders meeting as provided in Article 67, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms is substantially far from any place of shareholders meetings previously held (excluding the following cases), the reason for determining the place:
  - (a) that the place is designated in the articles of incorporation as the place of shareholders meeting of the converting stock company, or that the place has been determined by the resolution of the shareholders meeting pursuant to the provisions of Article 69, paragraph (1) of the Act;
  - (b) that all policyholders not attending the policyholders meeting have consented to convocation at the place;
- (ii) if the matters stated in Article 67, paragraph (1), item (iii) or (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act have been prescribed, the following matters (excluding the matters specified in items (b) through (d), if any of the matters was resolved at the shareholders meeting referred to in Article 69, paragraph (1) of the Act):
  - (a) the matters to be stated in the reference documents for a policyholders meeting (meaning reference documents for a policyholders meeting as provided in Article 70, paragraph (1) (Giving of Reference Documents for Organizational Meetings and Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act

following the deemed replacement of terms; the same applies below in this Subsection), pursuant to the provisions of paragraph (1) of the following Article;

- (b) if a specific timing (limited to the timing on or before the date and time of the policyholders meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 68, paragraph (1) (Notices of Calling Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act) is to be designated as the time limit for the exercise of voting rights in writing, the specific timing;
- (c) if a specific timing (limited to the timing on or before the date and time of the policyholders meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 68, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act) is to be designated as the time limit for the exercise of voting rights by electronic or magnetic means, the specific timing;
- (d) the details of the treatment, if, when a voting form (meaning the voting form as provided in Article 70, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act; the same applies below in this Article and Article 38-4) is submitted to the converting stock company without any entry in the space to indicate answer whether the policyholder casts an affirmative or negative vote on the items on the agenda, the policyholder is to be treated to have manifested the intention to cast an affirmative or negative vote on the items on agenda, or to abstain from voting;
- (e) the matter to be omitted from the reference documents for a policyholders meeting to be provided to policyholders, due to the ground of implementation of the measure under Article 38-3, paragraph (1);
- (f) the matter related to treatment of the exercise of voting rights by a policyholder, if the treatment is provided for the cases where a single policyholder exercises the voting rights in duplicate for the same item on the agenda pursuant to the following provisions categorized by the cases as respectively stated in those provisions and where there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda (excluding the cases provided in the following item):
  - 1. when the matter specified in Article 67, paragraph (1), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act is provided: Article 75, paragraph (1) (Voting in Writing) of the Companies Act applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act;

2. when the matter specified in Article 67, paragraph (1), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act is provided: Article 76, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms;
- (iii) the following matters, when the matters specified in Article 67, paragraph (1), items (iii) and (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act are provided (excluding the matters stated in (a) or (b), if the matters are resolved by the shareholders meeting referred to in Article 69, paragraph (1) of the Act):
  - (a) if the voting form under Article 70, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act is to be delivered (including provision by electronic or magnetic means in lieu of the delivery, as under Article 70, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act) to a policyholder who has given an approval under Article 68, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms, subject to the policyholder's request, that fact;
  - (b) the matter related to treatment of the exercise of voting rights by a policyholder, if the treatment is provided for the cases where a single policyholder exercises the voting rights in duplicate for the same item on the agenda pursuant to the provisions of Article 75, paragraph (1) or Article 76, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act and where there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda are not the same;
- (iv) when, in connection with proxy voting under Article 74, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act, any matter related to proxy voting such as method of certifying the authority of representation (including qualification of proxies) and number of proxies are to be provided, the matters (excluding the cases where the matters are resolved pursuant to the provisions of Article 69, paragraph (1) of the Act);
- (v) in cases other than those provided in item (ii), the outline of the item on the agenda regarding the following matters:
  - (a) election of officers, etc.; and
  - (b) amendment to articles of incorporation.

(Reference Documents for General Meetings of Policyholders)

- Article 38-2 (1) The reference documents for a policyholders meeting to be delivered pursuant to the provisions of Article 70, paragraph (1) or Article 71, paragraph (1) (Giving of Reference Documents for Organizational Meeting and Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms must be prepared in accordance with Appended Form No. 5.
- (2) The delivery of reference documents for a policyholders meeting implemented by a stock company, which provides for the matters specified in Article 67, paragraph (1), items (iii) and (iv) (Determinations to Call Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery) is the delivery of the reference documents for a policyholders meeting under Article 70, paragraph (1) and Article 71, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms.
- (3) A director may, in addition to a notice of calling (meaning a notice under Article 68, paragraph (2) or (3) (Notices of Calling Organizational Meetings) of the Companies Act, as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act; the same applies below in this Article through Article 38-4), notify the method of announcement of updated information to the policyholders if there occurs any event requiring modification to any matter to be stated in the reference documents for a policyholders meeting for the period between the day of dispatching the notice of calling and the day immediately prior to the date of the policyholders meeting.
- (4) if, among the matters to be stated in the reference documents for a policyholders meeting to be provided to policyholders in connection with the same policyholders meeting, there is any matter already included in any other document or any information to be provided by way of the electronic or magnetic means, the matters need not be included in the reference documents for a policyholders meeting to be provided to the policyholders. In this case, it must be specifically noted that there is any matter already stated in other document or any information to be provided by way of the electronic or magnetic means.
- (5) If, among the matters to be included in the notice of calling to be sent to the policyholders in connection with the same policyholders meeting, there is any matter already stated in the reference documents for a policyholders meeting, these matters need not be included in the notice of calling to be sent to the policyholders.

(Special Rules for Preparation of Reference Documents for General Meetings of Policyholders)

Article 38-3 (1) If, for the period between the time of dispatching a notice of calling of the policyholders meeting and the day when three months passes from the day of the policyholders meeting, the measure (limited to the method specified in Article 14-5, paragraph (1), item (i), (b), which is to be implemented by the method using automatic public transmission server connected to the Internet; the same applies in paragraph (3)) is implemented so as to keep policyholders accessible to information related to the matters to be contained in the relevant reference documents for a policyholders meeting (excluding the following matters) by electronic or magnetic means, the reference documents for a policyholders meeting containing the matters are deemed to have been provided to the policyholders; provided, however, that this is limited to the case where a resolution under Article 69, paragraph (1) of the Act has been adopted, specifying that the measure referred to in this paragraph will be implemented:

- (i) items on agenda;
  - (ii) the matters to be specified in the reference documents for a policyholders meeting pursuant to the provisions of the following paragraph; and
  - (iii) if, in connection with the implementation of the measures in relation to the matters to be stated in the reference documents for a policyholders meeting (excluding the matters specified in the preceding item), any company auditor, audit and supervisory committee or audit committee raised any objection, that matter.
- (2) In the case referred to in the preceding paragraph, the reference documents for a policyholders meeting to be provided to policyholders must contain the characters, numbers, marks or any other types of symbols or their combination created for the online identification of the portion of the automatic public transmission server assigned for implementing the measure referred to in the same paragraph, which enables the information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers.
- (3) The provisions of paragraph (1) do not preclude taking measures to keep policyholders able to access the information related to the matters stated in each item of the same paragraph by electronic or magnetic means.

(Voting Forms)

Article 38-4 (1) Voting forms to be delivered pursuant to the provisions of Article 70, paragraph (1) (Giving of Reference Documents for Organizational Meetings and Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act must be prepared in accordance with

Appended Form No. 5-2.

- (2) The matters to be contained in the voting form to be provided by electronic or magnetic means as referred to in Article 71, paragraph (3) or (4) (Giving of Reference Documents for Organizational Meetings and Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act are as prescribed in Appended Form No. 5-2.
- (3) If the converting stock company has prescribed any provisions on the matters listed in Article 38, item (iii), (a), it must, upon the request from the policyholder who has given an approval pursuant to the provisions of Article 68, paragraph (3) (Notices of Calling Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act, deliver to the policyholder a voting form under Article 70, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery, as under Article 70, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act)
- (4) If, among the matters to be contained in the notice of calling to be provided to policyholders in connection with the same policyholders meeting, there is any matter already stated in the voting form, these matters need not be contained in the notice of calling.
- (5) If, among the matters to be contained in the voting form (limited to the matters specified in the following) to be provided to policyholders in connection with the same policyholders meeting, there is any matter already stated in the notice of calling, these matters need not be contained in the voting form:
  - (i) the matter stated in Article 38, item (ii), (d);
  - (ii) the matter stated in Article 38, item (iii), (b); and
  - (iii) the time limit for the exercise of voting rights.

(Time Limit for Voting in Writing)

Article 38-5 The timing to be specified by Cabinet Office Order, as provided in Article 75, paragraph (1) (Voting in Writing) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms is the end of the business hour immediately before the time of policyholders meeting (if the matter specified in Article 38, item (ii), (b) has been provided, the specific time stated in (b) of that item).

(Time Limit for Exercise of Voting Rights by Electronic or Magnetic Means)

Article 38-6 The timing to be specified by Cabinet Office Order, as provided in Article 76, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph

(3) of the Act following the deemed replacement of terms is the end of the business hour immediately before the date and time of the policyholders meeting (if the matter specified in Article 38, item (ii), (b) is provided, the specific time stated in (b) of that item).

(Accountability of Converting Stock Company)

Article 38-7 The cases to be specified by Cabinet Office Order, as provided in Article 78 (Accountability of Incorporators) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms, are as follows:

- (i) cases where it is necessary to perform an investigation in order to provide explanation for any matter so requested by the policyholder (excluding the following cases):
  - (a) cases where the policyholder has notified the converting stock company of the matter within a reasonable period of time before the day of the policyholders meeting; or
  - (b) cases where it is extremely easy to conduct investigation necessary in order to provide explanation on the matter;
- (ii) cases where giving explanation on the matter so requested by the policyholder would be detrimental to the rights of the converting stock company or any other parties (excluding the policyholder);
- (iii) cases where the policyholder repeatedly requests explanation on the substantially identical subjects at the policyholders meeting; and
- (iv) beyond the cases stated in the preceding three items, cases where there is any justifiable ground for refraining from giving explanation on the matters so requested by a policyholder.

(Minutes of General Meeting of Policyholders)

Article 38-8 (1) The preparation of minutes of policyholders meeting under Article 81, paragraph (1) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act following the deemed replacement of terms is as prescribed in this Article.

- (2) The minutes of policyholders meeting must be prepared in writing or by electronic or magnetic records.
- (3) The minutes of the policyholders meeting must contain the following matters:
  - (i) the date and place of convocation of the policyholders meeting (including the method of attendance, if any director (or any director who is not an audit and supervisory committee member or any other director, in the case of a company with audit and supervisory committee; the same applies in item (iii)), executive officer, accounting advisor, company auditor, financial auditor or policyholder not present at the place attended the policyholders

- meeting);
- (ii) the substance of the proceedings of the policyholders meeting, as well as the results;
- (iii) the names of the directors, executive officers, accounting advisors, company auditors or financial auditors who attended the policyholders meeting;
- (iv) if the policyholders meeting was presided over by the chairperson, the name of the chairperson; and
- (v) the names of the director who took charge of duties to prepare the minutes.

(Matters to Be Resolved at Policyholder Representatives Meeting)

Article 39 The matters to be specified by Cabinet Office Order, as provided in Article 77, paragraph (2) of the Act, are as follows:

- (i) the authorized number of representative policyholders;
- (ii) the composition of the policyholder representatives meeting;
- (iii) the method of election of representative policyholders; and
- (iv) the measures to be implemented in the case of a vacancy in offices of representative policyholders.

(Amount of Claim Concerning Insurance Contract)

Article 40 The amount to be specified by Cabinet Office Order, as provided in Article 77, paragraph (5) of the Act, is as follows: the amount stated in item (i), in the case of a life insurance company; the total of the amounts stated in items (ii) and (iii), in the case of a non-life insurance company; or the amount stated in item (ii), in the case of a small amount and short term insurer:

- (i) the amount to be set aside for the insured, as of the time of the public notice under Article 77, paragraph (4) of the Act (referred to below as the "public notice" in this Article);
- (ii) the amount of the insurance premiums corresponding to the unexpired period (meaning the insurance period provided for in an insurance contract, outstanding as of the time of the public notice); and
- (iii) the amount to be set aside as the refund reserve referred to in Article 70, paragraph (1), item (iii), as of the time of the public notice.

(Matters to Be Determined upon Calling of Meeting)

Article 40-2 The matters to be specified by Cabinet Office Order, as provided in Article 67, paragraph (1), item (v) (Determinations to Call Organizational Meetings) of the Companies Act, as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms, are as follows:

- (i) if the place of a policyholder representatives meeting as provided in Article 67, paragraph (1), item (i) of the Companies Act, as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms, is substantially far from any place of shareholders meetings previously held (excluding the following cases), the reason for determining the place:
  - (a) that the place has been designated in the articles of incorporation as the place of shareholders meeting of the converting stock company, or that the place has been determined by the resolution of the shareholders meeting pursuant to the provisions of Article 77, paragraph (1) of the Act;
  - (b) that all representative policyholders not attending the policyholder representatives meeting have consented to convocation at the place;
- (ii) when the matters stated in Article 67, paragraph (1), item (iii) or (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act are provided, the following matters (excluding the matters specified in (b) through (d), if any of the matters was resolved at the shareholders meeting as referred to in Article 77, paragraph (1) of the Act):
  - (a) the matters to be stated in the reference documents for policyholder representatives meetings (meaning reference documents for policyholder representatives meetings as provided in Article 70, paragraph (1) (Giving of Reference Documents for Organizational Meetings and Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms; the same applies below in this Subsection), pursuant to the provisions of paragraph (1) of the following Article;
  - (b) when a specific timing (limited to the timing on or before the date and time of the policyholder representatives meeting, but which falls on or after the day when two weeks passes from the day of dispatching the notice under Article 68, paragraph (1) (Notices of Calling Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act) is to be designated as the time limit for the exercise of voting rights in writing, the specific timing;
  - (c) when a specific timing (limited to the timing on or before the date and time of the policyholder representatives meeting, but falls on or after the day when two weeks passes from the day of dispatching the notice under Article 68, paragraph (1) of the Companies Act as applied mutatis

- mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act) is to be designated as the time limit for the exercise of voting rights by electronic or magnetic means, the specific timing;
- (d) the details of the treatment, if, when a voting form (meaning the voting form as provided in Article 70, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act; the same applies below in this Article and Article 40-5) is submitted to the converting stock company without any entry in the space to indicate answer whether the representative policyholder casts an affirmative or negative vote on the items on the agenda, the representative policyholder is to be treated to have manifested the intention to cast an affirmative or negative vote on the items or agenda, or to abstain from voting;
- (e) the matter to be omitted from the reference documents for policyholder representatives meetings to be provided to representative policyholders, due to the ground of implementation of the measure under Article 40-4, paragraph (1);
- (f) the matter related to treatment of the exercise of voting rights by a representative policyholder, if the treatment is provided for the cases where a single representative policyholder exercises the voting rights in duplicate for the same item on the agenda pursuant to the following provisions categorized by the cases as respectively stated in those provisions and where there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda (excluding the cases provided in the following item):
1. when the matter specified in Article 67, paragraph (1), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act is provided: Article 75, paragraph (1) (Voting in Writing) of the Companies Act applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act;
  2. when the matter specified in Article 67, paragraph (1), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act is provided: Article 76, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act applied mutatis mutandis pursuant to Article 74,

paragraph (3) of the Act following the deemed replacement of terms as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act;

(iii) the following matters, when the matters specified in Article 67, paragraph (1), items (iii) and (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act is provided (excluding the matters stated in (a) or (b), if any of the matters was resolved by the shareholders meeting referred to in Article 77, paragraph (1) of the Act):

(a) if the voting form under Article 70, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act is to be delivered (including provision by electronic or magnetic means in lieu of the delivery, as under Article 70, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act) to a representative policyholder who has given an approval under Article 68, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms, subject to the representative policyholder's request, that fact;

(b) the matter related to treatment of the exercise of voting rights by a representative policyholder, if the treatment is provided for the cases where a single representative policyholder exercises the voting rights in duplicate for the same item on the agenda pursuant to the provisions of Article 75, paragraph (1) or Article 76, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act and where there is a discrepancy between the duplicate exercises of voting rights for the same item on the agenda;

(iv) when, in connection with proxy voting under Article 44-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act, any matter related to proxy voting such as method of certifying the authority of representation (including qualification of proxies) is to be provided, the matters (excluding the cases where the matters have been resolved pursuant to the provisions of Article 77, paragraph (1) of the Act);

(v) in cases other than those provided in item (ii), the outline of the item on the agenda regarding the following matters:

- (a) election of officers, etc.; and
- (b) amendment to articles of incorporation.

(Reference Documents for Policyholder Representatives Meetings)

- Article 40-3 (1) The reference documents for policyholder representatives meetings to be delivered pursuant to the provisions of Article 70, paragraph (1) or Article 71, paragraph (1) (Giving of Reference Documents for Organizational Meetings and Voting Forms) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms must be prepared in accordance with Appended Form No. 5.
- (2) The delivery of reference documents for policyholder representatives meetings implemented by a converting stock company, which provides for the matters specified in Article 67, paragraph (1), items (iii) and (iv) (Determinations to Call Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery) is the delivery of the reference documents for policyholder representatives meetings under Article 70, paragraph (1) and Article 71, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms.
- (3) A director may, in addition to a notice of calling (meaning a notice under Article 68, paragraph (2) or (3) (Notices of Calling Organizational Meetings) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act; the same applies below in this Article through Article 40-5), notify the method of announcement of updated information to representative policyholders if there occurs any event requiring modification to any matter to be stated in the reference documents for policyholder representatives meetings for the period between the day of dispatching the notice of calling and the day immediately prior to the day of the policyholder representatives meeting.
- (4) If, among the matters to be stated in the reference documents for policyholder representatives meetings to be provided to representative policyholders in connection with the same policyholder representatives meeting, there is any matter already stated in other document or any information to be provided by

electronic or magnetic means, these matters need not be included in the reference documents for policyholder representatives meetings to be provided to the representative policyholders. In this case, it must be specifically noted that there is any matter already stated in other document or any information to be provided by electronic or magnetic means.

- (5) If, among the matters to be included in the notice of calling to be sent to the representative policyholders in connection with the same policyholder representatives meeting, there is any matter stated in the reference documents for policyholder representatives meetings, these matters need not be included in the notice of calling to be sent to the representative policyholders.

(Special Rules for Preparation of Reference Documents for Policyholder Representatives Meetings)

Article 40-4 (1) If, for the period between the time of dispatching a notice of calling of the policyholder representatives meeting and the day when three months passes from the day of the policyholder representatives meeting, the measure (limited to the method specified in Article 14-5, paragraph (1), item (i), (b), which is to be implemented by the method using automatic public transmission server connected to the internet; the same applies in paragraph (3)) is implemented so as to keep representative policyholders accessible to information related to the matters to be contained in the relevant reference documents for policyholder representatives meetings (excluding the following matters) by electronic or magnetic means, the reference documents for policyholder representatives meetings containing the matters are deemed to have been provided to the representative policyholders; provided, however, that this is limited to the case where a resolution under Article 77, paragraph (1) of the Act has been adopted, specifying that the measure referred to in this paragraph will be implemented:

- (i) items on agenda;
  - (ii) the matters to be specified in the reference documents for policyholder representatives meetings pursuant to the provisions of the following paragraph; and
  - (iii) if, in connection with the implementation of the measures in relation to the matters to be stated in the reference documents for policyholder representatives meetings (excluding the matters specified in the preceding item), any company auditor, audit and supervisory committee or audit committee has raised any objection, that matter.
- (2) In the case referred to in the preceding paragraph, the reference documents for policyholder representatives meetings to be provided to representative policyholders must contain the characters, numbers, marks or any other types of symbols or their combination created for the online identification of the

portion of the automatic public transmission server assigned for implementing the measure referred to in the same paragraph, which enables the information recipients to browse the details of information by inputting it into the computers they use and to record the information into the file stored on the computers.

- (3) The provisions of paragraph (1) do not preclude taking measures to keep representative member able to access the information related to the matters stated in each item of the same paragraph by electronic or magnetic means.

(Voting Forms)

Article 40-5 (1) The voting forms to be delivered pursuant to the provisions of Article 70, paragraph (1) (Giving of Reference Documents for Organizational Meetings and Voting Forms) of the Companies Act, as applied *mutatis mutandis* pursuant to Article 74, paragraph (3) of the Act as further applied *mutatis mutandis* pursuant to Article 77, paragraph (6) of the Act, must be prepared in accordance with Appended Form No. 5-2.

- (2) The matters to be contained in the voting form to be provided by electronic or magnetic means as referred to in Article 71, paragraph (3) or (4) (Giving of Reference Documents for Organizational Meetings and Voting Forms) of the Companies Act as applied *mutatis mutandis* pursuant to Article 74, paragraph (3) of the Act as further applied *mutatis mutandis* pursuant to Article 77, paragraph (6) of the Act are as prescribed in Appended Form No. 5-2.

- (3) If the converting stock company has prescribed any provisions on the matters listed in Article 40-2, item (iii), (a), it must, upon the request from the Representative Policyholder who has given an approval pursuant to the provisions of Article 68, paragraph (3) (Notices of Calling Organizational Meetings) of the Companies Act as applied *mutatis mutandis* pursuant to Article 74, paragraph (3) of the Act as further applied *mutatis mutandis* pursuant to Article 77, paragraph (6) of the Act, deliver to the representative policyholder a voting form under Article 70, paragraph (1) of the Companies Act as applied *mutatis mutandis* pursuant to Article 74, paragraph (3) of the Act as further applied *mutatis mutandis* pursuant to Article 77, paragraph (6) of the Act (the delivery includes the provision of information implemented by the electronic or magnetic means in lieu of the delivery, as under Article 70, paragraph (2) of the Companies Act as applied *mutatis mutandis* pursuant to Article 74, paragraph (3) of the Act as further applied *mutatis mutandis* pursuant to Article 77, paragraph (6) of the Act).

- (4) If, among the matters to be contained in the notice of calling to be provided to representative policyholders in connection with the same policyholder representatives meeting, there is any matter already stated in the voting form, these matters need not be contained in the notice of calling.

- (5) If, among the matters to be contained in the voting form (limited to the matters specified in the following) to be provided to representative policyholders in connection with the same policyholder representatives meeting, there is any matter already stated in the notice of calling, these matters need not be contained in the voting form:
- (i) the matter specified in Article 40, item (ii), (d);
  - (ii) the matter specified in Article 40, item (iii), (b); and
  - (iii) the time limit for the exercise of voting rights.

(Time Limit for Exercise of Voting Rights in Writing)

Article 40-6 The timing to be specified by Cabinet Office Order, as provided in Article 75, paragraph (1) (Voting in Writing) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms is the end of the business hour immediately before the time of a policyholder representatives meeting (if the matter stated in Article 40-2, item (ii), (b) is provided, the specific time referred to in (b) of that item).

(Time Limit for Exercise of Voting Rights by Electronic or Magnetic Means)

Article 40-7 The timing to be specified by Cabinet Office Order, as provided in Article 76, paragraph (1) (Voting by Electronic or Magnetic Means) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms is the end of the business hour immediately before the time of a policyholder representatives meeting (if the matter stated in Article 40-2, item (ii), (c) is provided, the specific time referred to in (c) of that item).

(Accountability of Converting Stock Company)

Article 40-8 The cases to be specified by Cabinet Office Order, as provided in Article 78 (Accountability of Incorporators) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms, are as follows:

- (i) cases where it is necessary to perform an investigation in order to provide explanation for any matter so requested by the representative policyholder (excluding the following cases):
  - (a) cases where the representative policyholder has notified the converting stock company of the matter within a reasonable period of time before the day of the policyholder representatives meeting; or

- (b) cases where it is extremely easy to conduct investigation necessary in order to provide explanation on the matter;
- (ii) cases where giving explanation on the matter so requested by the representative policyholder would be detrimental to the rights of the converting stock company or any other parties (excluding the representative policyholder);
- (iii) cases where the representative policyholder repeatedly requests explanation on the substantially identical subjects at the policyholder representatives meeting; and
- (iv) beyond the cases stated in the preceding three items, cases where there is any justifiable ground for refraining from giving explanation on the matters so requested by a representative policyholder.

(Minutes of Policyholder Representatives Meeting)

- Article 40-9 (1) The preparation of minutes of a policyholder representatives meeting under Article 81, paragraph (1) (Minutes) of the Companies Act as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Act as further applied mutatis mutandis pursuant to Article 77, paragraph (6) of the Act following the deemed replacement of terms is as prescribed in this Article.
- (2) The minutes of a policyholder representatives meeting must be prepared in writing or by electronic or magnetic records.
- (3) The minutes of a policyholder representatives meeting must contain the following matters:
- (i) the date and place where the policyholder representatives meeting was held (including the method of attendance, if any director (or any director who is an audit and supervisory committee member or any other director, in the case of a company with audit and supervisory committee; the same applies in item (iii)), executive officer, accounting advisor, company auditor, financial auditor or representative policyholders not present at the place attended the policyholder representatives meeting);
  - (ii) the substance of the proceedings of the policyholder representatives meeting, as well as the results;
  - (iii) the names of the directors, executive officers, accounting advisors, company auditors or financial auditors who attended the policyholder representatives meeting;
  - (iv) if there the policyholder representatives meeting was presided over by the chairperson, the name of the chairperson; and
  - (v) the names of the director who took charge of duties to prepare the minutes.

(Application for Authorization of Entity Conversion from Stock Company to Mutual Company)

Article 41 If a stock company engaged in insurance business seeks to obtain the authorization under Article 80, paragraph (1) of the Act, it must submit to the Commissioner of the Financial Services Agency or other competent official a written application for authorization, attaching the following documents:

- (i) a written statement of reasons;
- (ii) a document stating the details of the entity conversion plan;
- (iii) the articles of incorporation of the converted mutual company;
- (iv) the minutes of shareholders meeting; minutes of the policyholders meeting; or minutes of the policyholder representatives meeting;
- (v) a balance sheet;
- (vi) a document describing the expenses required for entity conversion;
- (vii) a document certifying that the public notice under Article 70, paragraph (2) of the Act has been given;
- (viii) if any policyholder or other creditor has raised an objection under Article 70, paragraph (4) of the Act, a document certifying that the company has made payment or provided equivalent security to the policyholder or other creditor, or has entrusted equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment, or that the implementation of the entity conversion poses no risk of detriment to the interest of the policyholder or other creditor;
- (ix) a document certifying that the number of policyholders who raised objections under Article 70, paragraph (4) of the Act did exceed one-fifth of the total number of policyholders as referred to in the same paragraph, or a document certifying that the amount provided in Article 37 in relation to the policyholders as referred to in the same paragraph did exceed one-fifth of the total amount as referred to in Article 70, paragraph (6) of the Act;
- (x) if the converting stock company is a company issuing share certificates, a document certifying that a public notice has been given under the main clause of Article 219, paragraph (1) of the Companies Act as applied *mutatis mutandis* pursuant to Article 69, paragraph (7) of the Act, or a document certifying that the company has not issued share certificates representing any of the shares;
- (xi) if the converting stock company has issued share options, a document certifying that a public notice has been given under Article 293, paragraph (1) of the Companies Act as applied *mutatis mutandis* pursuant to Article 69, paragraph (7) of the Act, or a document certifying that the company has not issued any stock option certificate provided in Article 293, paragraph (1) of the Act as applied *mutatis mutandis* pursuant to Article 69, paragraph (7) of the Act;
- (xii) a document certifying the notice or public notice under Article 777, paragraph (3) or (4) of the Companies Act as applied *mutatis mutandis*

- pursuant to Article 71 of the Act has been given;
- (xiii) a document certifying any public notice given under Article 77, paragraph (4), if any;
  - (xiv) if the public notice under Article 77, paragraph (4) of the Act has been given, a document certifying that the number of policyholders who raised objections under paragraph (5) of the same Article did not exceed one-fifth of the total number of policyholders as referred to in the same paragraph, or a document certifying that the amount specified in Article 37 in relation to the policyholders as referred to in the same paragraph did not exceed one-fifth of the total amount as provided in Article 40;
  - (xv) a document certifying the acceptance of the office by the person to assume the position of directors and company auditors (or directors, in the case of a company with audit and supervisory committee; or directors and executive officers, in the case of a company with nominating committee, etc.) of the converted mutual company, and résumés of the persons;
  - (xvi) if the converted mutual company is a company with accounting advisors, a document certifying the acceptance of the office by the person to assume the position of accounting advisor of the converted mutual company, and résumés of the person (if the person to assume the office of the accounting advisor is a corporation, the document describing the outline of the corporation to assume the position of the accounting advisor, or a résumé of the member who is to perform their duties; the same applies in Article 46, item (xi));
  - (xvi)-2 if the converted mutual company is a company with financial auditor, a document certifying the acceptance of the office by the person to assume the position of financial auditor of the converted mutual company, and résumés of the person (if the person to assume the office of the financial auditor is a corporation, the document describing the outline of the corporation to assume the position of the financial auditor, or a résumé of the member who is to perform their duties; the same applies in Article 46, item (xi)-2);
  - (xvii) when funds were solicited, a document certifying the offer of fund contribution or a contract under Article 30 as applied mutatis mutandis pursuant to Article 78, paragraph (3);
  - (xviii) when funds were solicited, a document certifying that payment of the funds has been made under Article 30-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 78, paragraph (3) of the Act;
  - (xix) an investigation report prepared by a person to assume the position of the director (or director and company auditor, if the converted mutual company is a company with company auditors) of the converted mutual company as referred to in Article 79, paragraph (2) of the Act; an investigation report prepared by the person appointed pursuant to the provisions of Article 94, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to

paragraph (3) of the Article; and the supplementary schedules thereto;  
(xx) the bond register; and  
(xxi) any other documents containing the matters which would serve as reference information for conducting an examination under Article 80, paragraph (2) of the Act.

(Matters Subject to Public Notice After Entity Conversion from Stock Company to Mutual Company)

Article 41-2 The matters to be specified by Cabinet Office Order, as provided in Article 82, paragraph (1) of the Act, are as follows:

- (i) the progress of the procedures under Article 70 of the Act; and
- (ii) effective date (meaning the effective date as provided in Article 69, paragraph (4), item (v) of the Act; the same applies in item (iii) of the following Article).

(Matters Subject to Ex-Post Facto Disclosure of Converted Mutual Company)

Article 41-3 The matters to be specified by Cabinet Office Order, as provided in Article 82, paragraph (2) of the Act, are as follows:

- (i) the progress of the procedures under Article 70 of the Act; and the progress of the procedures under Article 777 (Exercise of Appraisal Rights on Share Options) of the Companies Act as applied mutatis mutandis pursuant to Article 71 of the Act;
- (ii) when funds were solicited, the matters related to investigation by a person to assume the position of the director (or director and company auditor, if the converted mutual company is a company with company auditors) of the converted mutual company referred to in Article 79, paragraph (2) of the Act, or the matters related to investigation by the person appointed pursuant to the provisions of Article 94, paragraph (1) (Special Provisions in Cases Directors at Incorporation Are Incorporators) of the Companies Act as applied mutatis mutandis pursuant to paragraph (3) of the same Article;
- (iii) effective date; and
- (iv) beyond what is stated in the preceding three items, material matters on entity conversion.

## **Subsection 2 Entity Conversion from Mutual Company to Stock Company**

(Matters Related to Sale of Shares Newly Issued for Fractional Lots)

Article 41-4 The matters related to sales to be specified by Cabinet Office Order, as provided in Article 86, paragraph (4), item (ix) and Article 96-7, item (iv) of the Act, are the matters prescribed in the following items, in accordance with

the categories of the sale as respectively stated in those items:

- (i) a sale by way of auction: the scheduled date of sale;
- (ii) a sale at the market price: the scheduled purchaser and the scheduled date of sale; and
- (iii) a sale based on the permission from the court: the method of calculation of sales price, the scheduled purchaser, and the scheduled date of sale.

(Matters Related to Purchase of Shares Newly Issued for Fractional Lots)

Article 41-5 The matters related to purchase to be specified by Cabinet Office Order, as provided in Article 86, paragraph (4), item (x) and Article 96-7, item (v) of the Act, are the matters prescribed in the following items, in accordance with the categories of the purchase as respectively stated in those items:

- (i) the purchase, when the shares are sold by the way specified in item (ii) of the preceding Article: the scheduled date of purchase; and
- (ii) the purchase, when the shares are sold by the way specified in item (iii) of the preceding Article: the method of calculation of the purchase price and the scheduled date of purchase.

(Matters Subject to Prior Disclosure by Converting Mutual Company)

Article 42 The matters to be specified by Cabinet Office Order, as provided in Article 87, paragraph (1) of the Act, are as follows:

- (i) details of the items on the agenda regarding the entity conversion;
- (ii) matters related to adequacy of the provisions on the matters stated in Article 86, paragraph (4), items (v) through (viii);
- (iii) the following matters related to the converting mutual company (excluding a liquidating mutual company):
  - (a) the details of the financial statements, etc. for the most recent business year (if the converting mutual company has no most recent business year, the balance sheet as of the day of the incorporation);
  - (b) if, after the last day of the most recent business year (if the converting mutual company has no most recent business year, after the day of the incorporation), disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on the company's asset status has taken place, the details of event (if the new most recent business year falls within the period between the commencement date of the keeping of an entity conversion plan (meaning the commencement date of the keeping of an entity conversion plan as provided in Article 87, paragraph (2) of the Act; the same applies below in this Subsection) and the day when the entity conversion becomes effective, the above is limited to the details of the events which have taken place after the last day of the new most recent business year);

- (iv) the balance sheet prepared by the converting mutual company (limited to a liquidating mutual company) pursuant to the provisions of Article 492, paragraph (1) (Preparation of Inventory of Property) of the Companies Act as applied mutatis mutandis pursuant to Article 180-17 of the Act;
- (v) when the share exchange on entity conversion (meaning the share exchange on entity conversion as provided in Article 96-5, paragraph (1) of the Act; the same applies below in this Subsection) is to be implemented, the following matters:
  - (a) the terms and conditions of the contract for share exchange on entity conversion;
  - (b) matters related to adequacy of the provisions on the matters stated in Article 96-7, items (ii) and (ii) (if there is no such provision, the adequacy as to the lack of provision);
  - (c) when all or part of shares, etc. (meaning the shares, etc. as provided in Article 96-7, item (ii) of the Act; the same applies below in this Subsection) to be delivered to the members of the converting mutual company comprise the shares in the wholly owning parent company resulting from the share exchange (meaning wholly owning parent company resulting from the share exchange as provided in Article 96-5, paragraph (2) of the Act; the same applies below), the provisions of the articles of incorporation of the wholly owning parent company resulting from the share exchange;
  - (d) the following matters related to the wholly owning parent company resulting from the share exchange:
    - 1. the details of the financial statements, etc. for the most recent business year (if the wholly owning parent company resulting from the share exchange has no most recent business year, the balance sheet as of the date of its incorporation);
    - 2. if the company has provisional financial statements, etc. prepared as of a certain day after the last day of the most recent business year (if the wholly owning parent company resulting from the share exchange has no most recent business year, the date of its incorporation; the same applies in 3.) as the provisional account closing date (if there are two or more provisional account closing dates, the latest day), the details of the provisional financial statements, etc.; and
    - 3. if the disposal of important properties, assumption of a material obligation or any other event that has a material impact on status of company's properties occurs after the last day of the most recent business year, the details of event (if the new most recent business year falls within the period between the commencement date for the keeping of an entity conversion plan and the day when the share exchange on entity conversion becomes effective, the above is limited to

- the accounts of the events which have taken place after the last day of the new most recent business year);
- (vi) when the share transfer on entity conversion (meaning the share transfer on entity conversion as provided in Article 96-8, paragraph (1) of the Act; the same applies below in this Subsection) is to be implemented, the following matters:
- (a) the matters related to the adequacy of provisions concerning the matters stated in Article 96-9, paragraph (1), items (v) through (viii) of the Act;
  - (b) the matters related to the adequacy of provisions on the matters stated in Article 773, paragraph (1), items (ix) and (x) (Share Transfer Plans) of the Companies Act (limited to the matters related to the relevant share options), when share option under Article 808, paragraph (3), item (iii) (Right to Request Purchase of Share Options) of the Companies Act as applied *mutatis mutandis* pursuant to Article 96-9, paragraph (5) of the Act are issued by all or part of the stock companies under Article 96-9, paragraph (1), item (ix) of the Act;
  - (c) the following matters related to any other converting mutual company or the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act:
    - 1. the details of the financial statements, etc. for the most recent business year (if the company has no most recent business year, the balance sheet as of the day of incorporation of the any other converting mutual company or the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act);
    - 2. if the company has provisional financial statements, etc. prepared as of a certain day after the last day of the most recent business year (if the company has no most recent business year, after the date of incorporation of the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act) as the provisional account closing date (if there are two or more provisional account closing dates, whichever comes later), the details of the provisional financial statements, etc.; and
    - 3. if, after the last day of the most recent business year (if the company has no most recent business year, after the day of incorporation of the any other converting mutual company or the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act), disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on the company's asset status has taken place, the details of event (when the new most recent business year falls within the period between the commencement date for the keeping of an entity conversion plan and the day when the

- share transfer on entity conversion becomes effective, the above is limited to the accounts of the events which have taken place after the last day of the new most recent business year);
- (vii) when any partial share exchange on entity conversion (meaning the partial share exchange on entity conversion as provided in Article 96-9-2, paragraph (1) of the Act; the same applies below in this Subsection) is to be implemented, the following matters:
- (a) the reason that the converting mutual company determined that the provisions on the matters stated in Article 96-9-3, paragraph (1), item (ii) of the Act satisfy the requirements specified in paragraph (2) of that Article;
  - (b) matters related to adequacy of the provisions on the matters stated in Article 96-9-3, paragraph (1), items (iii) through (vi) of the Act;
  - (c) if the matters stated in Article 96-9-3, paragraph (1), item (vii) of the Act are prescribed, matters regarding appropriateness of the provisions with respect to the matters stated in items (viii) and (ix) of that paragraph;
  - (d) if the converting mutual company is aware of the following matters regarding the subsidiary company resulting from a partial share exchange on entity conversion (meaning a subsidiary company subject to share delivery on entity conversion as provided in Article 96-9-2, paragraph (2) of the Act; the same applies below), those matters:
    1. the details of the financial statements, etc. for the most recent business year (if the subsidiary company resulting from a partial share exchange on entity conversion has no most recent business year, the balance sheet as of the date of its incorporation);
    2. if the subsidiary company resulting from a partial share exchange has provisional financial statements, etc. prepared as of a certain day after the last day of the most recent business year (if the company has no most recent business year, the date of incorporation of the subsidiary company subject to share delivery on entity conversion; the same applies in the 3.) as the provisional account closing date (if there are two or more provisional account closing dates, the latest day), the details of the provisional financial statements, etc.;
    3. if the disposal of important assets, assumption of significant obligations, or any other event that has material impact on the status of company's assets occurs after the last day of the most recent business year, the details of event (limited to the content of events occurring after the last day of any new most recent business year, if the new most recent business year falls within the period between the commencement date for the keeping of an entity conversion plan and the day on which the entity conversion becomes effective);

- (viii) the matters related to the prospect on performance by the converted stock company (meaning the converted stock company as provided in Article 86, paragraph (4), item (i) of the Act; the same applies below) of its obligations (limited to the obligations against the policyholder or any other creditor entitled to raise an objection as to the entity conversion pursuant to the provisions of Article 88, paragraph (1) of the Act (excluding the obligations related to the rights (excluding insurance claims, etc.) of the policyholders or any other holder of the rights in an insurance contract)); and
- (ix) if, for the period between the commencement date for the keeping of an entity conversion plan and the day when the entity conversion becomes effective, any change has arisen in any of the matters listed in the preceding items, those matters after the change.

(Matters Subject to Ex-Post Facto Disclosure by Converted Stock Company)

Article 42-2 The matters to be specified by Cabinet Office Order, as provided in Article 87, paragraph (4) of the Act, are the matters specified in the items of the preceding Article.

(Matters Subject to Public Notice Related to Entity Conversion from Mutual Company to Stock Company)

Article 42-3 The matters to be specified by Cabinet Office Order, as provided in Article 88, paragraph (2), item (iv) of the Act, are as follows:

- (i) the amount of stated capital of the converted stock company;
- (ii) the matters related to allocation of shares or money to members;
- (iii) the method of sale of any shares to be issued for the portion of the fraction less than one unit of share accrued as a result of the allocation of shares to the members, and any other matter provided in Article 41-4 regarding the sale;
- (iv) the matters related to the policyholders' rights after the entity conversion;
- (v) when the shares referred to in item (iii) are to be purchased, the method of purchase and any other matters related to the purchase stated in the items of Article 41-5;
- (vi) the following matters related to the financial statements of the converting mutual company:
  - (a) if the converting mutual company has given public notice under Article 54-7, paragraph (1) or (2) of the Act of the balance sheet for the most recent business year or its summary the matters stated in the following:
    1. if the public notice has been made by publication on a daily newspaper featuring news on current events, the name and date of the newspaper, and the page number on which the public notice has been published;
    2. if the public notice has been made by electronic public notice, the

- matters stated in Article 64, paragraph (2), item (xviii), (a) of the Act;
- (b) if the converting mutual company has implemented the measures provided in Article 54-7, paragraph (3) of the Act, regarding the balance sheet for the most recent business year: the matters stated in Article 64, paragraph (2), item (xvi) of the Act;
- (c) if the converting mutual company is a mutual company as provided in Article 54-7, paragraph (4) of the Act, and where it has submitted the annual securities report for the most recent business year pursuant to the provisions of Article 24, paragraph (1) (Submission of Annual Reports) of the Financial Instruments and Exchange Act: that fact;
- (d) if the converting mutual company has no most recent business year: that fact;
- (e) in cases where the converting mutual company is a liquidating mutual company: that fact;
- (f) in cases other than those stated in (a) through (e): the details of the summary of the balance sheet for the most recent business year as specified in Appended Form No. 3 (or Appended Form No. 3-3, in the case of a small amount and short term insurer; or Appended Form No. 3-2, in the case of a company with specified transaction account).

(Amount of Claim Concerning Insurance Contract)

Article 43 The amount to be specified by Cabinet Office Order, as provided in Article 88, paragraph (6) of the Act, is as follows: the amount stated in item (i), in the case of a life insurance company; the total of the amounts stated in items (ii) and (iii), in the case of a non-life insurance company; or the amount stated in item (ii), in the case of a small amount and short term insurer:

- (i) the amount to be set aside for the insured, as of the time of the public notice under Article 88, paragraph (2) of the Act (referred to below as the "public notice" in this Article);
- (ii) the amount of the insurance premiums corresponding to the unexpired period (meaning the insurance period provided for in an insurance contract, outstanding as of the time of the public notice); and
- (iii) the amount to be set aside as the refund reserve referred to in Article 70, paragraph (1), item (iii), as of the time of the public notice.

(Calculation of Members' Amount of Contribution)

Article 44 (1) The amount calculated in accordance with the provisions of Cabinet Office Order, as provided in Article 90, paragraph (2) (including as applied mutatis mutandis pursuant to Article 96-6, paragraph (2) (including as applied mutatis mutandis pursuant to Article 96-8, paragraph (2) of the Act)), is the total of the amount of contribution per insurance contract concluded

between the converting mutual company's member and the mutual company.

(2) The amount of contribution per insurance contract as provided in the preceding paragraph is the amount stated in item (i) less the amount stated in item (ii) for each insurance contract category of the insurance contract provided by the mutual company (referred to below as "insurance contract category" in this Article), and then further calculated based on the amount of policy reserve, insurance proceeds, insurance premiums and any other base amount for each insurance contract falling under the relevant insurance contract category:

- (i) regarding insurance contracts concluded with members, the total of the insurance premiums paid by the members and gains generating from investment of money received as insurance premiums, less the amount allocated for disbursements such as payment of the insurance proceeds, refund or any other benefits, operating expenditure and any other costs;
- (ii) regarding insurance contracts concluded with members, the amount of assets to be reserved so as to secure the performances of obligations under insurance contracts.

(Market Price in the Case of Treatment of Shares with Fractions Resulting from Issue of Shares)

Article 44-2 The method specified by Cabinet Office Order, as provided in Article 234, paragraph (2) of the Companies Act (Treatment of Fractional Shares) as applied mutatis mutandis pursuant to Article 90, paragraph (3) of the Act (including as applied mutatis mutandis pursuant to Article 96-6, paragraph (2) of the Act (including as applied mutatis mutandis pursuant to Article 96-8, paragraph (2) of the Act); the same applies below in this Article) following the deemed replacement of terms, is the method whereby the amount listed in the following items is treated as the price of shares provided in each item, in accordance with the categories of the respective cases stated in those items:

- (i) if the shares are sold through a market transaction: the sale price of the transaction; or
- (ii) in cases other than the case stated in the preceding item: the higher of the following prices:
  - (a) the closing price of the shares on the market on which the shares are traded, as of the day when the shares were sold pursuant to the provisions of Article 234, paragraph (2) of the Companies Act as applied mutatis mutandis by replacing certain terms pursuant to Article 90, paragraph (3) of the Act (referred to below as the "sales date" in this item) (if no sale and purchase transaction was consummated on the sales date, or if the sales date falls on a non-business day of the market, the contract price of the sale and purchase transaction effected for the first time after that day); or

- (b) in cases where, as of the sales date, the shares are the target of a tender offer, etc., the price of the shares provided for in the contract related to the tender offer, etc. as of the sales date.

(Calculation of Amount of Surplus in Entity Conversion)

Article 45 (1) The amount calculated in accordance with the formula to be specified by Cabinet Office Order, as provided in Article 91, paragraph (3) of the Act, is the amount calculated as the net asset as of the time of the entity conversion of the converting mutual company, multiplied by the proportion of the amount stated in item (ii) to the amount stated in item (i):

- (i) the amount of total assets of the converting mutual company as of the time of the entity conversion, which is evaluated by the same method as those used for the calculation of the total amount of members' contributions as referred to in Article 44, paragraph (1), less the total of the following amounts:
    - (a) the amount stated in Article 44, paragraph (2), item (ii);
    - (b) regarding the insurance contract under Article 63, paragraph (1) of the Act, the amount of assets to be secured for the performance of obligations under insurance contracts, which is evaluated by the same method as those used for the calculation of the amount stated in Article 44, paragraph (2), item (ii);
    - (c) the amount of assets to be secured for the performance the converting mutual company of its obligations at the time of the entity conversion, which is evaluated by the same method as those used for the calculation of the amount stated in Article 44, paragraph (2), item (ii) (excluding the amounts stated in (a) and (b)); and
  - (ii) the amount stated in the preceding paragraph, less the total of the amount of members' contributions as provided in an Article 44, paragraph (1).
- (2) if the amount recorded in the net asset section or liability section of the balance sheet of the converted stock company decreases due to any of the grounds stated in the following items, the amount of surplus in entity conversion may be reduced accordingly with the reduction:
- (i) compensation of loss by the allocation of surplus, capital reserve or retained earnings reserve;
  - (ii) reduction in the amount of stated capital;
  - (iii) addition to the insurance premiums reserve under Article 69, paragraph (1), item (i) or Article 70, paragraph (1), item (i), (a) by way of effecting amendment to the document stated in Article 4, paragraph (2), item (iv) of the Act;
  - (iv) reversal of price fluctuation reserve under Article 115, paragraph (1) of the Act; or

- (v) reversal of contingency reserve under Article 69, paragraph (1), item (iii) or Article 70, paragraph (1), item (ii)-2.

(Amount of Capital Reserve)

- Article 45-2 (1) The matters necessary for accounting related to the entity conversion to be specified by Cabinet Office Order, as provided in Article 91, paragraph (4) of the Act, are as prescribed in this Article.
- (2) The amount to be recorded by the converted stock company upon the entity conversion as its capital reserve is the amount of net assets as of the time of entity conversion (excluding the valuation and translation adjustment, etc.), less the amount of stated capital referred to in Article 86, paragraph (4), item (v) of the Act.
  - (3) Notwithstanding the provisions of the preceding paragraph, the amount of the loss reserves of the converting mutual company as of the time of entity conversion may be treated as the amount not required to be recorded as capital reserve; provided, however, that in this case, the amount of the loss reserves must be recorded as the retained earnings reserve of the converted stock company.
  - (4) Notwithstanding the provisions of paragraph (2), the amount equivalent to the amount of surplus (excluding the loss reserves under the preceding paragraph) reserved by the converting mutual company at the time of its entity conversion may be treated as the amount not required to be recorded as capital reserve.

(Matters Requiring Notices to Prospective Applicants)

- Article 45-3 The matters to be specified by Cabinet Office Order, as provided in Article 93, paragraph (1), item (iv) of the Act, are as follows:
- (i) the total number of authorized shares (meaning the total number of authorized shares as provided in Article 37, paragraph (1) (Provisions on Total Number of Authorized Shares) of the Companies Act) (if the company is a company with class shares, including the total number of authorized shares in each class (meaning the total number of authorized shares in each class as provided in Article 101, paragraph (1), item (iii) (Special Provisions on Procedures for Amendment in Articles of Incorporation) of that Act));
  - (ii) if the converted stock company (excluding a company with class shares) has prescribed the matters stated in the items of Article 107, paragraph (1) (Special Provisions on Features of Shares) of the Companies Act as the features of the shares to be issued, the features of the shares;
  - (iii) if the converted stock company (limited to a company with class shares) has decided to issue shares with different features as to the matters stated in the items of Article 108, paragraph (1) (Shares of Different Classes) of the

- Companies Act, the features of the respective classes of shares (if, regarding a certain class of shares, a provision in the articles of incorporation is provided under the paragraph (3) of the same Article, and the converted stock company, as provided for in the provision of the articles of incorporation, has not prescribed the features of the class of shares, the outline of the features of the class of shares);
- (iv) when the articles of incorporation provide for any provisions concerning a share unit number, the share unit number (if the company is a company with class shares, the share units of respective class of shares);
  - (v) when the articles of incorporation provide for any of the following, the provisions:
    - (a) the provisions of the articles of incorporation as provided in Article 139, paragraph (1) (Determination of Approval of Transfer), Article 140, paragraph (5) (Purchase by Stock Company or Designated Purchaser), or Article 145, item (i) or (ii) (Cases Where Stock Company Is Deemed to Have Approved) of the Companies Act;
    - (b) the provisions of the articles of incorporation, as provided in Article 164, paragraph (1) (Provisions of Articles of Incorporation Regarding Acquisition from Specific Shareholders) of the Companies Act;
    - (c) the provisions of the articles of incorporation, as provided in Article 167, paragraph (3) (Effectuation) of the Companies Act;
    - (d) the provisions of the articles of incorporation, as provided in Article 168, paragraph (1) (Determination of the Day of Acquisition) or Article 169, paragraph (2) (Determination of Shares to Be Acquired) of the Companies Act;
    - (e) the provisions of the articles of incorporation, as provided in Article 174 (Provisions of Articles of Incorporation Regarding Demand for Sale to Heirs) of the Companies Act;
    - (f) the provisions of the articles of incorporation, as provided in Article 347 (Election of Directors or Company Auditors at General Meeting of Class Shareholders) of the Companies Act;
    - (g) the provisions of the articles of incorporation, as provided in Article 26, item (i) or (ii) (Case Where Approval Is Deemed to Have Been Granted) of the Regulations for Enforcement of the Companies Act;
  - (vi) if the articles of incorporation provide for appointment of a shareholder register administrator, their name and address, and their business office;
  - (vii) if the articles of incorporation provide for the measures for electronic provision provided in Article 325-2 (Provisions in the Articles of Incorporation to the Effect that Measures for Electronic Provision Will be Taken) of the Companies Act, that provision; and
  - (viii) from among the matters provided for in the articles of incorporation

(excluding the matters stated in Article 93, items (i) through (iii) of the Act; and also excluding the matters stated in the preceding items), the matters to be notified as required by a prospective applicant for the subscription of shares issued on entity conversion (meaning the shares issued on entity conversion as provided in Article 92, item (i) of the Act) to the converting mutual company.

(Securities with Market Price Exempted from the Requirement of Investigation by Inspector)

Article 45-4 The method specified by Cabinet Office Order, as provided in Article 207, paragraph (9), item (iii) (Contribution of Property Other than Monies) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms, is the method whereby the higher of the following amounts is treated as the price of securities as provided in Article 207, paragraph (9), item (iii) of the Companies Act:

- (i) the closing price of the securities at the market where the securities are traded, as of the day when the value of the property referred to in Article 92, item (iii) of the Act was determined (referred to below as a "valuation date" in this Article) (if no sale and purchase transaction was consummated on the valuation date, or where the valuation date falls on a non-business day of the market, the contract price of the sale and purchase transaction effected for the first time after that day); or
- (ii) when, as of the valuation date, the securities are the target of a tender offer, etc., the price of the securities provided for in the contract related to the tender offer as of the valuation date.

(Case of Performance of Obligations Incidental to Delivery of Shares Issued on Entity Conversion)

Article 45-4-2 When the following duties have been performed, the amount of other capital surplus of the converted stock company is to be increased accordingly with the amount of money paid or the amount of property other than money delivered to the converted stock company on the ground of the performance of the obligation:

- (i) in the case referred to in Article 212, paragraph (1), item (ii) (Liabilities of Persons Who Subscribed for Shares with Unfair Amount to Be Paid in) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms, the duty to pay the entire or part of the amount as provided in the same item under the same paragraph; and
- (ii) in the case stated in each item of Article 213-2, paragraph (1) (Liabilities of Subscribers of Shares for Subscription for Which the Performance of

Contribution Is Falsified) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act following the deemed replacement of terms, the duty to engage in the act as provided in each item of the same paragraph under the same paragraph.

(Directors to Be Held Liable in Case of Shortfall in Value of Property Contributed)

Article 45-5 The persons to be specified by Cabinet Office Order, as provided in Article 213, paragraph (1), item (ii) (Liabilities of Directors in Case of Shortfall in Value of Property Contributed) as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms, are as follows:

- (i) the director who has submitted to the general meeting (or a member representatives meeting, if it has been organized) the proposed item on the agenda regarding the valuation of Properties Contributed in Kind; and
- (ii) if the proposal referred to in the preceding item was submitted in accordance with the resolution of the board of directors, the directors who casted affirmative votes on the resolution of the board of directors.

(Method for Demanding to File an Action to Enforce Liability by a Former Member)

Article 45-6 The method to be specified by Cabinet Office Order, as provided in Article 847, paragraph (1) (Action to Enforce Liability by Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms is the submission of documents specifying the following matters, or the provision of the matters by the electronic or magnetic means:

- (i) the prospective defendant; and
- (ii) object of claim and facts necessary for specifying the claim.

(Method of Notification of Reason for Not Filing Action to Enforce Liability by a Converted Stock Company)

Article 45-7 The methods to be specified by Cabinet Office Order, as provided in Article 847, paragraph (4) (Action to Enforce Liability by Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms are the submission of documents specifying the following matters, or the provision of the matters by electronic or magnetic means:

- (i) the details of the investigation performed by converted stock company (including the materials which served as the basis of judgment referred to in the following item);

- (ii) judgment as to whether the person specified in item (1) of the preceding Article is held liable for any responsibility or obligation in relation to the action related to the demand under Article 847, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms, and the grounds of the judgment; and
- (iii) if the company judges the person referred to in the preceding item to be held liable for any responsibility or obligation, and refrains from filing an action to enforce liability, etc. (meaning an action to enforce liability, etc. as provided in Article 847, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act; the same applies in Article 45-7-4, item (iii)), the grounds therefor.

(Method for Demanding to File an Action to Enforce Liability by a Former Member)

Article 45-7-2 The methods to be specified by Cabinet Office Order, as provided in Article 847-2, paragraphs (1) and (3) (Action to Enforce Liability by Former Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act (including as applied mutatis mutandis pursuant to paragraphs (4) and (5) of the same Article; the same applies in Article 45-7-4, item (ii)) are the submission of documents specifying the following matters, or the provision of those matters by electronic or magnetic means:

- (i) the prospective defendant;
- (ii) object of claim, and facts necessary for specifying the claim;
- (iii) the name and address of the wholly owning parent company resulting from the share exchange, etc. (meaning the wholly owning parent company resulting from the share exchange, etc. as provided in Article 849, paragraph (2), item (i) (Intervention) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act), and the fact that the person is a shareholder of the wholly owning parent company resulting from the share exchange, etc.

(Wholly Owning Parent Company)

Article 45-7-3 (1) The stock company to be specified by Cabinet Office Order, as provided in Article 847-2, paragraph (1) (Action to Enforce Liability by Former Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms, is a certain stock company and a wholly owned subsidiary company of the certain stock company (meaning a stock company, the total number of issued shares of which are owned by the certain stock company; the same applies below in this Article), or a certain stock company in cases where a wholly owned subsidiary company

of the certain stock company owns all of the issued shares of a specific stock company referred to in Article 847-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act following the deemed replacement of terms.

- (2) For the purpose of application of the provisions of the preceding paragraph, a certain stock company and a wholly owned subsidiary company of the certain stock company, or another stock company in cases where a wholly owned subsidiary company of the certain stock company owns all of the issued shares of the relevant other stock company are deemed to be a wholly owned subsidiary company.

(Method of Notification of Reason for Not Filing Action to Enforce Liability by a Wholly Owned Subsidiary Company Resulting from the Share Exchange)

Article 45-7-4 The methods to be specified by Cabinet Office Order, as provided in Article 847-2, paragraph (7) (Action to Enforce Liability by Former Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act, are the submission of documents specifying the following matters, or the provision of those matters by electronic or magnetic means:

- (i) the details of the investigation performed by the wholly owned subsidiary company resulting from the share exchange, etc. (meaning the wholly owned subsidiary company resulting from the share exchange, etc. as provided in Article 847-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act) (including the materials which served as the basis of judgment referred to in the following item);
- (ii) judgment as to whether the person specified in Article 45-7-2, item (i) is held liable for any responsibility or obligation in relation to the action related to the demand under Article 847-2, paragraph (1) or (3) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act, and the grounds of the judgment; and
- (iii) if the company judges the person referred to in the preceding item to be held liable for any responsibility or obligation, and where the company refrains from filing an action to enforce liability, etc., the grounds therefor.

(Method for Demanding to File an Action to Enforce Liability by a Former Member)

Article 45-8 The method to be specified by Cabinet Office Order, as provided in Article 847, paragraph (1) (Action to Enforce Liability by Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act following the deemed replacement of terms is the submission of documents specifying the following matters, or the provision of those matters by electronic

or magnetic means:

- (i) the prospective defendant; and
- (ii) object of claim, and facts necessary for specifying the claim.

(Method of Notification of Reason for Not Filing Action to Enforce Liability by a Converted Stock Company)

Article 45-8-2 The methods to be specified by Cabinet Office Order, as provided in Article 847, paragraph (4) (Action to Enforce Liability by Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act following the deemed replacement of terms are the submission of documents specifying the following matters, or the provision of those matters by electronic or magnetic means:

- (i) the details of the investigation performed by the converted stock company (including the materials which served as the basis of judgment referred to in the following item);
- (ii) judgment as to whether the person specified in item (1) of the preceding Article is held liable for any responsibility or obligation in relation to the action related to the demand under Article 847, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act following the deemed replacement of terms, and the grounds of the judgment; and
- (iii) if the company judges the person referred to in the preceding item to be held liable for any responsibility or obligation, and refrains from filing an action to enforce liability, etc. (meaning an action to enforce liability, etc. as provided in Article 847, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act; following the deemed replacement of terms the same applies in Article 45-8-5, item (iii)), the grounds for that.

(Method for Demanding to File an Action to Enforce Liability by a Former Member)

Article 45-8-3 The methods to be specified by Cabinet Office Order, as provided in Article 847-2, paragraphs (1) and (3) (Action to Enforce Liability by Former Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act (including as applied mutatis mutandis pursuant to paragraphs (4) and (5) of the same Article; the same applies in Article 45-8-5, item (ii)) are the submission of documents specifying the following matters, or the provision of those matters by electronic or magnetic means:

- (i) the prospective defendant;
- (ii) object of claim, and facts necessary for specifying the claim; and
- (iii) the name and address of the wholly owning parent company resulting from

the share exchange, etc. (meaning the wholly owning parent company resulting from the share exchange, etc. as provided in Article 849, paragraph (2), item (i) (Intervention) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act), and the fact that the person is a shareholder of the wholly owning parent company resulting from the share exchange, etc.

(Wholly Owning Parent Company)

Article 45-8-4 (1) The stock company to be specified by Cabinet Office Order, as provided in Article 847-2, paragraph (1) (Action to Enforce Liability by Former Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act following the deemed replacement of terms, is a certain stock company and a wholly owned subsidiary company of the certain stock company (meaning a stock company, the total number of issued shares of which are owned by the certain stock company; the same applies below in this Article), or a certain stock company when a wholly owned subsidiary company of the certain stock company owns all of the issued shares of a specific stock company referred to in Article 847-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act following the deemed replacement of terms.

(2) For the purpose of application of the provisions of the preceding paragraph, a certain stock company and a wholly owned subsidiary company of the certain stock company, or another stock company in cases where a wholly owned subsidiary company of the certain stock company owns all of the issued shares of the relevant other stock company are deemed to be a wholly owned subsidiary company.

(Method of Notification of Reason for Not Filing Action to Enforce Liability by a Wholly Owned Subsidiary Company Resulting from the Share Exchange)

Article 45-8-5 The methods to be specified by Cabinet Office Order as provided in Article 847-2, paragraph (7) (Action to Enforce Liability by Former Shareholders) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act are the submission of documents specifying the following matters, or the provision of those matters by electronic or magnetic means:

(i) the details of the investigation performed by the wholly owned subsidiary company resulting from the share exchange, etc. (meaning the wholly owned subsidiary company resulting from the share exchange, etc. as provided in Article 847-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act) (including the materials which served as the basis of judgment referred to in the following item);

- (ii) judgment as to whether the person specified in Article 45-8-3, item (i) is held liable for any responsibility or obligation in relation to the action related to the demand under Article 847-2, paragraph (1) or (3) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2 of the Act, and the grounds of the judgment; and
- (iii) if the company judges the person referred to in the preceding item to be held liable for any responsibility or obligation, and where the company refrains from filing an action to enforce liability, etc., the grounds therefor.

(Directors to Be Held Liable for Disguising Performance of Contribution)

Article 45-8-6 The persons to be specified by Cabinet Office Order, as provided in Article 96-4-3, paragraph (1) of the Act are the following persons:

- (i) the director and executive officer who performed the duties concerning disguising performance of contribution (meaning performance of contribution as provided in Article 96, paragraph (3) of the Act; the same applies below in this Article);
- (ii) if disguising performance of contribution is made in accordance with the resolution of the board of directors, the following persons:
  - (a) the directors who casted affirmative votes on the resolution of the board of directors; and
  - (b) the director and executive officer who have submitted the proposed item on the agenda regarding disguising the performance of contribution to the board of directors' meeting; and
- (iii) if disguising performance of contribution is made in accordance with the resolution of the general meeting (or a member representatives meeting, if it has been organized; the same applies below in this item), the following persons:
  - (a) the director who has submitted to the general meeting the proposed item on the agenda regarding disguising the performance of contribution;
  - (b) if the proposed item on the agenda referred to in (a) was submitted in accordance with the resolution of the board of directors, the directors who casted affirmative votes on the resolution of the board of directors; and
  - (c) the director and executive officer who gave explanation related to disguising the performance of contribution at the general meeting.

(Amount to be Recorded as Stated Capital or Reserves upon Share Exchange on Entity Conversion)

Article 45-8-7 The matters to be specified by Cabinet Office Order, as provided in Article 445, paragraph (5) (Amounts of Stated Capital and Amounts of Reserves) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act are as prescribed in the Rules of

Accounting.

(Matters Subject to Prior Disclosure by Wholly Owning Parent Company  
Resulting from the Share Exchange)

Article 45-9 The matters to be specified by Cabinet Office Order, as provided in Article 794, paragraph (1) (Keeping and Inspection of Documents Concerning an Absorption-Type Merger Agreement) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, are as follows:

- (i) matters related to adequacy of the provisions on the matters stated in Article 96-7, items (ii) and (iii) (if there is no such provision, the adequacy as to the lack of provision);
- (ii) the following matters in regard to the converting mutual company:
  - (a) the details of the financial statements, etc. for the most recent business year (if the converting mutual company has no most recent business year, the balance sheet as of the day of incorporation of the mutual company);
  - (b) if disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on the company's asset status has taken place after the last day of the most recent business year (if the converting mutual company has no most recent business year, after the date of its incorporation), the details of event (if the new most recent business year falls within the period between the day of commencement of keeping the documents or electronic or magnetic records under Article 794, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms (referred to below as the "day of commencement of keeping contract for share exchange on entity conversion" in this Subsection) and the day when the share exchange on entity conversion becomes effective, the above is limited to the accounts of the events which have taken place after the last day of the new most recent business year);
- (iii) the following matters regarding the wholly owning parent company resulting from the share exchange:
  - (a) if disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on the company's asset status has taken place after the last day of the most recent business year (if the wholly owning parent company resulting from the share exchange has no most recent business year, after the date of its incorporation), the details of event (if the new most recent business year falls within the period between the day of commencement of keeping contract for share exchange on entity conversion and the day when the

share exchange on entity conversion becomes effective, the above is limited to the accounts of the events which have taken place after the last day of the new most recent business year);

- (b) if the wholly owning parent company resulting from the share exchange has no most recent business year, the balance sheet as of the date of its incorporation;
- (iv) if any creditor is entitled to raise an objection as to the share exchange on entity conversion pursuant to the provisions of Article 799, paragraph (1) (Objections of Creditors) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, the matters related to the prospect on performance by the wholly owning parent company resulting from the share exchange of its obligations on or after the day when the share exchange on entity conversion becomes effective (limited to the obligations held against the aforementioned creditor);
- (v) if, for the period between the day of commencement of keeping contract for share exchange on entity conversion and the day when the share exchange on entity conversion becomes effective, any change has occurred to the matters listed in any of the preceding items, the matter so changed.

(Equivalent of Shares in Wholly Owning Parent Company Resulting from the Share Exchange by a Stock Company Converted from a Mutual Company)

Article 45-10 The equivalent to be specified by Cabinet Office Order, as provided in Article 794, paragraph (3) (Keeping and Inspection of Documents Concerning an Absorption-Type Merger Agreement) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, is the money to be delivered in accordance with the provisions of Article 96-7, items (ii) and (iii) of the Act, when the amount stated in item (i) less the amount stated in item (ii) is smaller than the amount stated in item (iii):

- (i) the total amount of shares, etc. to be delivered to the members of the converting mutual company;
- (ii) from among the shares, etc. provided in the preceding paragraph, the total value of the shares in wholly owning parent company resulting from the share exchange; and
- (iii) the total amount of shares, etc. as provided in item (i), multiplied by one-twentieth.

(Amount of Shares)

Article 45-11 The amount to be specified by Cabinet Office Order, as provided in Article 795, paragraph (2), item (iii) (Approval of the Absorption-Type Merger

Agreement) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, is the sum of the amounts stated in items (i) and (ii), less the amount stated in item (iii):

- (i) the amount of shares in converted stock company acquired by the wholly owning parent company resulting from the share exchange upon the share exchange on entity conversion, which is to be posted on the accounting books;
- (ii) the amount of goodwill recorded pursuant to the provisions of Article 11 (Goodwill) of the Rules of Accounting; and
- (iii) the amount of liabilities to be recorded pursuant to the provisions of Article 12 (Special Account for Shares and Equity) of the Rules of Accounting.

(Amount of Net Assets)

Article 45-12 The method to be specified by Cabinet Office Order, as provided in Article 796, paragraph (2), item (ii) (Cases Where Approval of the Absorption-Type Merger Agreement Is Not Required) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, is the method whereby the total of the amounts stated in items (i) through (vii) as of the cut-off date (meaning the date of conclusion of a contract for share exchange on entity conversion (if, under the contract, the timing other than the conclusion date (limited to the timing between the date of conclusion of the contract and the time immediately before the time when the share exchange on entity conversion becomes effective) has been designated, the timing)), less the amount stated in item (viii) (or five million yen, if the amount is less than five million yen), is treated as the amount of net assets of the wholly owning parent company resulting from the share exchange:

- (i) the amount of stated capital;
- (ii) the amount of capital reserve;
- (iii) the amount of retained earnings reserve;
- (iv) the amount of surplus as provided in Article 446 (Amounts of Surplus) of the Companies Act;
- (v) the amount related to valuation and translation adjustments, etc. as of the last day of the most recent business year (if the wholly owning parent company resulting from the share exchange has no most recent business year, the day of its incorporation);
- (vi) the book value of share award rights (meaning the share award rights provided in Article 2, paragraph (3), item (xxxiv) (Definitions) of the Rules of Accounting; the same applies in Article 101-2-6, item (vi));
- (vii) the book value of share options; and
- (viii) the total amount of the book value of treasury shares and the company's

own share options.

(Number of Shares)

Article 45-13 The number to be specified by Cabinet Office Order, as provided in Article 796, paragraph (3) (Cases Where Approval of the Absorption-Type Merger Agreement Is Not Required) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, is the smallest of the following numbers:

- (i) the number obtained by adding one to the number obtained by multiplying the total number of specific shares (meaning the shares which entitles the shareholders to exercise their voting rights at a shareholders meeting related to the act as provided in Article 796, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms; the same applies below in this Article) by half (if the articles of incorporation provides that adoption of the resolution of the shareholders meeting requires the attendance of shareholders having voting rights of not less than a certain proportion against all voting rights represented by the specific shares, by the proportion), and further by one-third (if the articles of incorporation provides that adoption of the resolution of the shareholders meeting requires affirmative votes of not less than a certain proportion against the total number of voting rights held by the specific shareholders (meaning the shareholders of specific shares; the same applies below in this Article) attending the shareholders meeting, by a proportion calculated by subtracting the proportion from one);
- (ii) the number of specific shares held by the specific shareholders who have given notice to the effect that they dissent from the act provided in Article 796, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act, in the case where the articles of incorporation provides that adoption of the resolution related to that act requires affirmative votes of not less than a certain number of specific shareholders, and where the total number of specific shareholders, less the number of specific shareholders who have given notice to the stock company to the effect that they dissent from that act, is less than the certain number;
- (iii) the number of specific shares held by the specific shareholders who have given notice to the effect that they dissent from the act provided in Article 796, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act, when the articles of incorporation provide that adoption of the resolution related to that act is subject to any provisions thereunder except for those referred to in the

preceding two items, and where the resolution will not be adopted if all of the specific shareholders who have given notice to the effect that they dissent from that act casted dissenting votes at the shareholders meeting provided in Article 796, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act; and  
(iv) the number specified by the articles of incorporation.

(Equivalent of Shares in Wholly Owning Parent Company Resulting from the Share Exchange)

Article 45-14 An equivalent to be specified by Cabinet Office Order, as provided in Article 799, paragraph (1), item (iii) (Objections of Creditors) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, is the money to be delivered in accordance with the provisions of Article 96-7, items (ii) and (iii) of the Act, when the amount stated in item (i) less the amount stated in item (ii) is smaller than the amount stated in item (iii):

- (i) the total amount of shares, etc. to be delivered to the members of the converting mutual company;
- (ii) from among the shares, etc. provided in the preceding paragraph, the total value of the shares in wholly owning parent company resulting from the share exchange; and
- (iii) the total amount of shares, etc. as provided in item (i), multiplied by one-twentieth.

(Matters Related to Financial Statements)

Article 45-15 The matters specified by Cabinet Office Order, as provided in Article 799, paragraph (2), item (iii) (Objections of Creditors) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, are the matters specified in each of the following items, in accordance with the categories of the respective cases stated in those items as of the day of the public notice under Article 799, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, or the day of the notice under the same paragraph, whichever comes earlier:

- (i) if a notifying company (collectively meaning a wholly owning parent company resulting from the share exchange, and a converting mutual company; the same applies below in this Article) has given a public notice under the provisions of Article 440 paragraph (1) (Public Notice of Financial Statements) (including the cases where it is applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of

terms) and Article 440, paragraph (2) of the Companies Act, or Article 54-7, paragraph (1) or (2) of the Act with respect to its balance sheet for the most recent business year or its summary: the following information:

- (a) if the public notice is given by publication on an official gazette, the date of the official gazette and the page number on which the public notice has been published;
- (b) if the public notice is given by publication on a daily newspaper featuring news on current events, the name and date of the newspaper, and the page number on which the public notice has been published; or
- (c) if the public notice is given by electronic public notice, the matters stated in Article 911, paragraph (3), item (xxviii), (a) (Registration of Incorporation of a Stock Company) of the Companies Act or in Article 64, paragraph (2), item (xviii), (a);
- (ii) if the notifying company has implemented the measure provided in Article 440, paragraph (3) of the Companies Act or Article 54-7, paragraph (3) of the Act with respect to the balance sheet for the most recent business year: the matters stated in Article 911, paragraph (3), (xxvi) of the Companies Act or in Article 64, paragraph (2), item (xvi) of the Act;
- (iii) if the wholly owning parent company resulting from the share exchange is a stock company as provided in Article 440, paragraph (4) of the Companies Act, or where the converting mutual company is a mutual company as provided in Article 54-7, paragraph (4) of the Act; and where the wholly owning parent company for share exchange on entity conversion or the converting mutual company has submitted the annual securities report for the most recent business year pursuant to the provisions of Article 24, paragraph (1) (Submission of Annual Reports) of the Financial Instruments and Exchange Act: that fact;
- (iv) if the notifying company has no most recent business year: that fact;
- (v) in cases other than those stated in the preceding items: the details of the summary of the balance sheet for the most recent business year as referred to in Part VI, Chapter 2 of the Rules of Accounting (or Appended Form No. 2, if the wholly owning parent company resulting from the share exchange is a stock company engaged in insurance business (or Appended Form No. 2-2, in cases of a company with specified transaction account)) or in Appended Form No. 3 (Appended Form No. 3-3, in the case of a small amount and short term insurer; or Appended Form No. 3-2, in the case of a company with specified transaction account).

(Equivalent of Shares in Wholly Owning Parent Company Resulting from the Share Exchange by a Stock Company Converted from a Mutual Company)  
Article 45-16 The equivalent to be specified by Cabinet Office Order, as provided

in Article 801, paragraph (4) (Keeping and Inspection of Documents Concerning an Absorption-Type Merger) of the Companies Act as applied mutatis mutandis pursuant to paragraph (6) of the same Article and as further applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act following the deemed replacement of terms, is the money to be delivered in accordance with the provisions of Article 96-7, items (ii) and (iii) of the Act, when the amount stated in item (i) less the amount stated in item (ii) is smaller than the amount stated in item (iii):

- (i) the total amount of shares, etc. to be delivered to the members of the converting mutual company;
- (ii) from among the shares, etc. provided in the preceding paragraph, the total value of the shares in wholly owning parent company resulting from the share exchange; and
- (iii) the total amount of shares, etc. as provided in item (i), multiplied by one-twentieth.

(Amount to be Recorded as Stated Capital or Reserves upon Share Transfer on Entity Conversion)

Article 45-17 The matters to be specified by Cabinet Office Order, as provided in Article 445, paragraph (5) (Amount of Stated Capital and Amounts of Reserves) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act are as prescribed in the Rules of Accounting.

(Matters Subject to Prior Disclosure by Stock Companies Jointly Implementing Share Transfer on Entity Conversion)

Article 45-18 The matters to be specified by Cabinet Office Order, as provided in Article 803, paragraph (1) (Keeping and Inspection of Documents Concerning a Consolidation-Type Merger Agreement) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act following the deemed replacement of terms, are as follows:

- (i) matters related to adequacy of the provisions on the matters stated in Article 773, paragraph (1), items (v) through (viii) (Share Transfer Plans); of the Companies Act;
- (ii) the matters related to the adequacy of provisions on the matters stated in Article 773, paragraph (1), items (ix) and (x) of the Companies Act (limited to the matters related to the relevant share options), if all or part of the stock companies as referred to in Article 96-9, paragraph (1), item (ix) of the Act has issued share option under Article 808, paragraph (3), item (iii) (Exercise of Appraisal Right on Share Options) of the Companies Act;
- (iii) the following matters in connection with the other stock company or converting mutual company referred to in Article 96-9, paragraph (1), item

- (ix) of the Act:
- (a) the details of the financial statements, etc. for the most recent business year (if the company has no most recent business year, the balance sheet as of the day of incorporation of the other stock company or converting mutual company referred to in Article 96-9, paragraph (1), item (ix) of the Act);
  - (b) if the company has provisional financial statements, etc. prepared as of a certain day after the last day of the most recent business year (if the company has no most recent business year, the date of incorporation of the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act) as the provisional account closing date (if there are two or more provisional account closing dates, the latest day), the details of the provisional financial statements, etc.; and
  - (c) if disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on the company's asset status has taken place after the last day of the most recent business year (if the company has no most recent business year, after the day of incorporation of the other stock company or converting mutual company referred to in Article 96-9, paragraph (1), item (ix) of the Act), the details of event (if the new most recent business year falls within the period between the day on which the consolidation-type merger agreement, etc. began to be kept (meaning the day on which the consolidation-type merger agreement, etc. began to be kept as provided in Article 803, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act; the same applies below in this Article) and the day when the share transfer becomes effective, the above is limited to the accounts of the events which have taken place after the last day of the new most recent business year);
- (iv) the following matters related to the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act:
- (a) if, after the last day of the most recent business year (if the company has no most recent business year, after the day of incorporation of the stock company or converting mutual company stated in Article 96-9, paragraph (1), item (ix) of the Act), disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on the company's asset status has taken place, the details of event (if the new most recent business year falls within the period between the day on which the consolidation-type merger agreement, etc. began to be kept and the day when the share transfer becomes effective, the above is limited to the accounts of the events which have taken place after the last day of the new most recent business year);

- (b) if the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act has no most recent business year, the balance sheet as of the date of its incorporation;
- (v) If any creditor is entitled to raise an objection as to the share transfer pursuant to the provisions of Article 810 (Objections of Creditors) (excluding paragraph (1), items (i) and (ii)) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act, the matters related to the prospect on performance by the wholly owning parent company incorporated in a share transfer on entity conversion of its obligations on or after the day when the share transfer becomes effective (excluding the obligations to be assumed from the other stock company or converting mutual company under Article 96-9, paragraph (1), item (ix) of the Act; and limited to the obligations held against the aforementioned creditors who are entitled to raise the objections);
- (vi) if, for the period between the day on which the consolidation-type merger agreement, etc. began to be kept and the day when the share transfer becomes effective, any change has arisen in any of the matters listed in the items of the preceding item, those matters after the change.

(Matters Related to Financial Statements)

Article 45-19 The matters specified by Cabinet Office Order, as provided in Article 810, paragraph (2), item (iii) (Objections of Creditors) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act following the deemed replacement of terms, are the matters specified in each of following items, in accordance with the categories of the respective cases prescribed in Article 810, paragraph (2) of the Companies Act as applied mutatis mutandis by replacing certain terms pursuant to Article 96-9, paragraph (5) of the Act, as of the date of public notice under the same paragraph or the date of notice under Article 810, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act, whichever comes earlier:

- (i) if a notifying company (meaning a stock company and a converting mutual company implementing the share transfer on entity conversion, as referred to in Article 96-9, paragraph (1), item (ix) of the Act ; the same applies below in this Article) has given a public notice under the provisions of Article 440 paragraph (1) (Public Notice of Financial Statements) (including the cases where it is applied pursuant to the provisions of Article 13 of the Act following the deemed replacement of terms) or Article 440, paragraph (2) of the Companies Act or Article 54-7, paragraph (1) or (2) of the Act with respect to its balance sheet for the most recent business year or its summary: the following information:

- (a) if the public notice is given by publication on an official gazette, the date of the official gazette and the page number on which the public notice has been published;
- (b) if the public notice is given by publication on a daily newspaper featuring news on current events, the name and date of the newspaper, and the page number on which the public notice has been published;
- (c) if the public notice is given by electronic public notice, the matters stated in Article 911, paragraph (3), item (xxviii), (a) (Registration of Incorporation of a Stock Company) of the Companies Act or in Article 64, paragraph (2), item (xviii), (a) of the Act;
- (ii) if the notifying company has implemented the measures provided in Article 440, paragraph (3) of the Companies Act or in Article 54-7, paragraph (3) of the Act with respect to the balance sheet for the most recent business year: the matters stated in Article 911, paragraph (3), item (xxvi) of the Companies Act or in Article 64, paragraph (2), item (xvi) of the Act;
- (iii) if the notifying company is a stock company as provided in Article 440, paragraph (4) of the Companies Act or a mutual company as provided in Article 54-7, paragraph (4) of the Act, and it has submitted the annual securities report for the most recent business year pursuant to the provisions of Article 24, paragraph (1) (Submission of Annual Reports) of the Financial Instruments and Exchange Act: that fact;
- (iv) if the notifying company has no most recent business year: that fact; and
- (v) in cases other than those stated in the preceding items: the details of the summary of the balance sheet for the most recent business year as referred to in Part VI, Chapter 2 of the Rules of Accounting (or Appended Form No. 2, if a stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act is a stock company engaged in insurance business (or Appended Form No. 2-3, in the case of a small amount and short term insurer; or Appended Form 2-2, in the case of a company with specified transaction account)) or in Appended Form No. 3 (Appended Form No. 3-3, in the case of a small amount and short term insurer; or Appended Form No. 3-2, in the case of a company with specified transaction account).

(Matters Subject to Ex-Post Facto Disclosure by Stock Company Jointly Implementing Share Transfer on Entity Conversion)

Article 45-20 The matters to be specified by Cabinet Office Order, as provided in Article 811, paragraph (1), item (ii) (Keeping and Inspection of Documents Concerning an Incorporation-Type Company Split or Share Transfer) of the Companies Act as applied mutatis mutandis by replacing certain terms pursuant to Article 96-9, paragraph (5) of the Act, are as follows:

- (i) the day when the share transfer becomes effective;

- (ii) the progress of the following procedures:
  - (a) the progress of the procedures related to the demand under Article 805-2 (Demanding Cessation of a Consolidation-Type Merger) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act; and
  - (b) the progress of the procedures under Article 806 (Dissenting Shareholders' Appraisal Rights), Article 808 (excluding paragraph (1), items (i) and (ii) and paragraph (3), items (i) and (ii)) (Exercise of Appraisal Rights on Share Options) and Article 810 (excluding paragraph (1), items (i) and (ii)) (Objections of Creditors) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act;
- (iii) the progress of the procedures under Article 88 of the Act implemented by the converting mutual company;
- (iv) the number of shares in the stock company under Article 96-9, paragraph (1), item (ix) of the Act which have been transferred to the wholly owning parent company incorporated in a share transfer on entity conversion, in virtue of the share transfer (or the classes of share and the number of shares by class, if the stock company under that item is a company with class shares); and
- (v) beyond what is stated in the preceding items, material matters related to the share transfer.

(Subsidiary Company Resulting from a Partial Share Exchange on Entity Conversion)

Article 45-21 An entity to be specified by Cabinet Office Order, as provided in Article 96-9-2, paragraph (1) of the Act, is a second company, etc. if the first company as provided in Article 2, item (iii) (Definitions) of the Companies Act controls determinations on the financial and business policies of the second company, etc. (limited to the case stated in Article 3, paragraph (3), item (i) of the Regulations for Enforcement of the Companies Act).

(Equivalent of Shares in Converted Stock Company)

Article 45-22 The equivalent of shares to be specified by Cabinet Office Order, as provided in Article 96-9-2, paragraph (2) of the Act, are monies, etc. (meaning monies, etc. as provided in Article 151, paragraph (1) (Effect of Pledging Shares) of the Companies Act; the same applies below in this Article, Article 45-25, Article 101-3 and Article 105-3) other than shares of the converted stock company delivered pursuant to the provisions of Article 96-9-3, paragraph (1), items (v), (vi), (viii) and (ix) of the Act if the amount obtained by subtracting the amount stated in item (ii) from the amount stated in item (i) is smaller

than the amount stated in item (iii).

- (i) the total amount of monies, etc. delivered to the transferors of shares, share options (excluding those attached to bonds with share options), or bonds with share options of the subsidiary company resulting from a partial share exchange on entity conversion;
- (ii) of the monies, etc. as provided in the preceding item, the total amount of the value of shares of the converted stock company; and
- (iii) the amount obtained by multiplying the total amount of monies, etc. as provided in item (i) by one-twentieth.

(Matters Related to Financial Statements)

Article 45-23 The matters to be specified by Cabinet Office Order, as provided in Article 96-9-2, paragraph (2), (iii) of the Act, are the matters specified in each of the following items, in accordance with the categories of cases stated below on the date of public notice under that paragraph:

- (i) if the subsidiary company resulting from a partial share exchange on entity conversion gives public notice under the provisions of Article 440, paragraph (1) (Public Notice of Financial Statements) (including the case where it is applied pursuant to Article 13 of the Act following the deemed replacement of terms) or paragraph (2) of the Companies Act regarding the balance sheet for the most recent business year or a summary of the balance sheet: the following:
  - (a) if the public notice is given in the official gazette, the date of the official gazette and the page on which the public notice is published;
  - (b) if the public notice is given in a daily newspaper that publishes matters related to current affairs, the name and date of the daily newspaper and the page on which the public notice is published;
  - (c) if the public notice is given by electronic public notice, the matters stated in Article 911, paragraph (3), item (xxviii), (a) (Registration of Incorporation of a Stock Company) of the Companies Act;
- (ii) if the subsidiary company resulting from a partial share exchange on entity conversion takes measures provided in Article 440, paragraph (3) of the Companies Act regarding the balance sheet for the most recent business year: the matters stated in Article 911, paragraph (3), item (xxvi) of that Act;
- (iii) if the subsidiary company resulting from a partial share exchange on entity conversion is a stock company provided in Article 440, paragraph (4) of the Companies Act, and if the stock company has submitted an annual securities report in relation to the most recent business year pursuant to Article 24, paragraph (1) (Submission of Annual Securities Reports) of the Financial Instruments and Exchange Act: that fact;
- (iv) if the provisions of Article 440 of the Companies Act are not applied to the

subsidiary company resulting from a partial share exchange on entity conversion pursuant to Article 28 (Exclusion from Application of Provisions Pertaining to Public Notice of Financial Statements) of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act: that fact;

- (v) if the subsidiary company resulting from a partial share exchange on entity conversion has no most recent business year (including the case where the converting mutual company does not know whether the subsidiary company has most recent business year): that fact; and
- (vi) in cases other than those stated in the preceding items: the details of the summary of the balance sheet for the most recent business year of the subsidiary company resulting from a partial share exchange on entity conversion under Part VI, Chapter II of the Rules of Accounting (in the case of a subsidiary company resulting from a partial share exchange on entity conversion which is a stock company engaged in insurance business, according to Appended Form No. 2 (or Appended Form 2-3 in the case of a small amount and short term insurer, or Appended Form 2-2 in the case of a company with a specified transaction account)) (regarding the details of the summary of the balance sheet of the subsidiary company, if the converting mutual company has no knowledge of its details, the relevant fact).

(Amount to be Recorded as Stated Capital or Reserves upon Partial Share Exchange on Entity Conversion)

Article 45-24 The matters to be specified by Cabinet Office Order, as provided in Article 445, paragraph (5) (Amounts of Stated Capital and Amounts of Reserves) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9-2, paragraph (3) of the Act are as prescribed in the Rules of Accounting.

(Matters Requiring Notices to Prospective Applicants)

Article 45-25 (1) The matters to be specified by Cabinet Office Order, as provided in Article 96-9-4, paragraph (1), item (iii) of the Act (including as applied mutatis mutandis pursuant to Article 96-9-9 of the Act) are as follows:

- (i) matters to be referenced regarding consideration for delivery; and
  - (ii) matters related to financial statements, etc. of the converting mutual company.
- (2) In this Article, the term "consideration for delivery" means monies, etc. delivered by the converted stock company, upon a partial share exchange on entity conversion, to the transferors of shares, share options (excluding those attached to bonds with share options; the same applies below in this Article), or bonds with share options of the subsidiary company resulting from a partial

share exchange on entity conversion, as consideration for the shares, share options, or bonds with share options.

(3) The "matters to be referenced regarding consideration for delivery" as provided in paragraph (1), item (i) are the following matters and equivalent matters (if the persons who intend to make the offer referred to in Article 96-9-4, paragraph (1) of the Act (including as applied *mutatis mutandis* pursuant to Article 96-9-9 of the Act) have provided consent about not notifying all or a portion of these matters, excluding those matters for which the consent is given):

(i) the following matters regarding shares of the converted stock company to be delivered as consideration for delivery:

(a) the provisions of the articles of incorporation of the converted stock company;

(b) the following matters and other matters in relation to the means of conversion of the consideration for delivery:

1. the market on which the consideration for delivery is traded;
2. the person acting as intermediary, broker, or agency for trading in the consideration for delivery;
3. if a restriction exists on the transfer or other disposal of the consideration for delivery, the details of the restriction;

(c) if a market price exists for the consideration for delivery, matters regarding its price;

(d) the content of the balance sheets of the converting mutual company in relation to each business year the last day of which arrived in the past five years (excluding the following business years):

1. the most recent business year;
2. if public notice is given of the content of the balance sheet of a certain business year pursuant to the provisions of laws and regulations (including notices equivalent to the measures referred to in Article 54-7, paragraph (3) of the Act), the relevant business year;
3. if an annual securities report is submitted to the Prime Minister regarding the content of the balance sheet of a certain business year pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act, the relevant business year;

(ii) if the consideration for delivery includes shares, equity interest, or the equivalent to these of a corporation, etc. (excluding shares of the converted stock company), the following matters (if the matters have been indicated in a language other than Japanese, the matters as indicated in Japanese (excluding names)):

(a) the provisions of the articles of incorporation or the equivalent documents of the corporation, etc.;

- (b) if the corporation, etc. is not a company, the content of rights equivalent to the following rights and other rights in relation to the consideration for delivery (excluding those that are unimportant):
1. the right to receive dividends from surplus;
  2. the right to receive distributions of residual assets;
  3. voting rights at shareholder meetings;
  4. if a merger or other acts are carried out, a right holder's right to demand the purchase of shares that they hold at a fair price;
  5. the right to demand the inspection or copy of the articles of incorporation or other materials (if the materials are prepared as electronic or magnetic records, materials that indicate the matters recorded in the electronic or magnetic records);
- (c) if the corporation, etc. is to provide information using a language other than Japanese to the shareholders, etc. (meaning shareholders, members, or other equivalent persons; the same applies in (d)), the language;
- (d) the total number of voting rights or other equivalent rights projected to be held by shareholders, etc. of the corporation, etc., supposing that a shareholder meeting of the corporation, etc. or an equivalent meeting is held on the day on which the partial share exchange on entity conversion becomes effective;
- (e) if the corporation, etc. is not registered (if the corporation, etc. was incorporated under the laws and regulations of a foreign country, limited to the registration of a foreign company under Article 933, paragraph (1) (Registration of a Foreign Company) of the Companies Act or registration of a foreign corporation under Article 2 (Registry Office in Charge of Administering Registration Affairs Related to Foreign Companies) of the Act on Registration of Foreign Corporations and Registration of Matrimonial Property Contracts (Act No. 14 of 1898)), the following matters:
1. the name and address of the person representing the corporation, etc.;
  2. the names of the officers (meaning directors, accounting advisors, company auditors, executive officers, directors, auditors and persons similar to them) of the corporation, etc. (excluding persons referred to in 1.);
- (f) the content of the financial statements (if there is no most recent business year, the balance sheet on the day of formation of the corporation, etc.) or their equivalents in relation to the most recent business year of the corporation, etc. (if the corporation, etc. is not a company, the equivalent of the most recent business year; the same applies below in this item) (including a summary of the content of an audit report or other equivalent report, if the financial statements or their equivalents have been audited

- by a company auditor, audit and supervisory committee, audit committee, financial auditor, or the equivalent);
- (g) the matters prescribed below in accordance with the categories of the cases stated below:
1. where the corporation, etc. is a stock company: the content of the business report for its most recent business year of the corporation, etc. (including the content of an audit report, if the business report has been audited by a company auditor, audit and supervisory committee, or audit committee);
  2. where the corporation, etc. is not a stock company: the summary of the content of matters equivalent to the matters stated in the items of Article 118 and the items of Article 119 (Special Provisions on Public Companies) of the Regulations for Enforcement of the Companies Act in relation to the most recent business year of the corporation, etc. (including a summary of the content of an audit report or its equivalent, if the relevant matters have been audited by a company auditor, audit and supervisory committee, or audit committee or the equivalent);
- (h) the content of balance sheets or equivalent documents of the corporation, etc. in relation to each business year the last day of which arrived in the past five years (excluding the following business years):
1. the most recent business year;
  2. where public notice is given of the content of the balance sheet or equivalent documents in relation to a certain business year pursuant to the provisions of laws and regulations (including notices equivalent to the measures referred to in Article 440, paragraph (3) of the Companies Act), the relevant business year;
  3. if an annual securities report is submitted to the Prime Minister regarding the content of the balance sheet or equivalent documents in relation to a certain business year pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act, the relevant business year;
- (i) the matters stated in (b) and (c) of the preceding item;
- (j) if the consideration for delivery is refundable through the acquisition of treasury shares, return of equity interest, or another equivalent means, the matters regarding procedures for that;
- (iii) if the consideration for delivery includes bonds, share options, or bonds with share options of the converted stock company, the matters stated in (b) and (c) of item (i);
- (iv) if the consideration for delivery includes bonds, share options, bonds with share options, or the equivalent of a corporation, etc. (excluding bonds, share

- options, or bonds with share options of the converted stock company), the following matters (if the matters have been indicated in a language other than Japanese, the matters (excluding names) indicated in Japanese):
- (a) the matters stated in (b) and (c) of item (i);
  - (b) the matters stated in (a) and (e) through (h) of item (ii); and
  - (v) if the consideration for delivery includes shares, equity interest, bonds, share options, bonds with share options, or the equivalent of the converted stock company or another corporation, etc. and non-monetary assets, the matters stated in (b) and (c) of item (i).
- (4) The "matters related to financial statements, etc. of the converting mutual company" as provided in paragraph (1), item (ii) are the following matters:
- (i) the content of the financial statements, etc. for the most recent business year (if there is no most recent business year, the balance sheet on the day of the formation of the converting mutual company);
  - (ii) if the company has provisional financial statements, etc. prepared as of a certain day after the last day of the most recent business year (if the company has no most recent business year, the day of its incorporation; the same applies in the following item) as the provisional account closing date (if the company has two or more provisional account closing dates, the latest day), the details of the provisional financial statements, etc.; and
  - (iii) if the disposal of important properties, assumption of material obligation, or any other event that has a material impact on the status of company's properties occurs after the last day of the most recent business year, the details of event.

(Application for Authorization of Entity Conversion from Mutual Company to Stock Company)

- Article 46 (1) When a mutual company seeks to obtain the authorization referred to in Article 96-10, paragraph (1) of the Act, it must submit to the Commissioner of the Financial Services Agency or other competent official a written application for authorization, attaching the following documents:
- (i) a written statement of reasons;
  - (ii) a document stating the details of the entity conversion plan;
  - (iii) the articles of incorporation of the converted stock company;
  - (iv) minutes of a general meeting or member representatives meeting;
  - (v) a balance sheet;
  - (vi) a document describing the expenses required for entity conversion;
  - (vii) a document certifying that the public notice under Article 88, paragraph (2) has been given;
  - (viii) if any policyholder or other creditor has raised any objection under Article 88, paragraph (4), a document certifying that the company has made

- payment or provided equivalent security to the policyholder or other creditor, or has entrusted equivalent property to a trust company, etc. for the purpose of having the policyholder or other creditor receive the payment, or that the reduction of the capital poses no risk of detriment to the interest of the policyholder or other creditor; and
- (ix) a document certifying that the number of policyholders who raised objections under Article 88, paragraph (6) of the Act did exceed one-fifth of the total number of policyholders as indicated in the same paragraph; or a document certifying that the amount provided in Article 43 in relation to the policyholders as referred to in the same paragraph did not exceed one-fifth of the total amount as referred to in Article 88, paragraph (6) of the Act;
  - (x) a document certifying the acceptance of the office by the person to assume the position of directors and company auditors (or directors, in the case of a company with audit and supervisory committee; or directors and executive officers in the case of a company with nominating committee, etc.) of the converted stock company, and résumés of the persons;
  - (xi) if the converted stock company is a company with accounting advisor, a document certifying the acceptance of the office by the person to assume the position of accounting advisor of the converted stock company, and résumés of the person;
  - (xi)-2 if the converted stock company is a company with financial auditor, a document certifying the acceptance of the office by the person to assume the position of financial auditor of the converted stock company, and résumés of the person;
  - (xii) when the shares are to be issued upon the entity conversion pursuant to the provisions of Article 92 of the Act, the following documents:
    - (a) a document certifying the application for subscription for the shares;
    - (b) when the subject of contribution is money, a document certifying that the completion of the payment under Article 96, paragraph (1) of the Act;
    - (c) when the subject of contribution is any other property than money, the following documents:
      1. in the case where an inspector has been appointed, a document containing the investigation report by the inspector and the documents attached thereto;
      2. in the case stated in Article 207, paragraph (9), item (iii) (Contribution of Property Other than Monies) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act, a document certifying the market price of the securities;
      3. in the case stated in Article 207, paragraph (9), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act, a document containing the verification provided in that item

- and the documents attached thereto; and
- 4. in the case stated in Article 207, paragraph (9), item (v) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Act, the account book containing descriptions of the monetary claims as referred to in that item;
- (d) in the cases where any judicial decision has been rendered in regard to an inspector's report, a transcript of the judicial decision;
- (xiii) when the partial share exchange on entity conversion is to be implemented upon the entity conversion pursuant to Article 96-9-2, paragraph (1) of the Act, the following documents:
  - (a) a document certifying the offer to transfer shares of the subsidiary company resulting from a partial share exchange on entity conversion;
  - (b) if the mutual company intends to make a company eligible to be a subsidiary company (meaning a company eligible to be a subsidiary company provided in Article 106, paragraph (1) of the Act, and excluding a company stated in item (xvi) of that paragraph (referred to below as an "advanced insurance service company" (excluding a company provided in Article 57-3); the same applies in Article 94, paragraph (1), item (x) and Article 105, paragraph (1), item (xix))) its subsidiary company, the documents stated in Article 58, paragraph (1), item (iv) relating to the company eligible to be a subsidiary company;
  - (c) if the entity conversion would cause the insurance company or its subsidiary company to hold voting rights in an advanced insurance service company (excluding a company provided in Article 57-3 and a foreign company; referred to below as an "advanced insurance service company engaged in non-insurance businesses") in a total number that would exceed the voting right holding threshold (meaning the voting right holding threshold as prescribed in Article 107, paragraph (1) of the Act; the same applies below), or make a foreign advanced insurance service company its subsidiary company: a document stated in Article 58-2, paragraph (1), item (iv) relating to the company; and
  - (d) if the entity conversion would cause the insurance company or its subsidiary company to hold voting rights in a domestic company (meaning a domestic company provided in Article 107, paragraph (1) of the Act; the same applies below) in a total number that would exceed the voting right holding threshold, a document stating the name and content of business of the domestic company.
- (xiv) a document stating any other matters which would serve as reference information for an examination under the provisions of Article 96-10, paragraph (2) of the Act.
- (2) The provisions of Article 2, paragraph (15) of the Act apply mutatis mutandis

to the voting rights provided in item (xiii), (c) and (d) of the preceding paragraph.

(Market Price in the Case of Treatment of Shares with Fractions Resulting from Issue of Shares)

Article 46-2 The method specified by Cabinet Office Order, as provided in Article 234, paragraph (2) of the Companies Act (Treatment of Fractional Shares), as applied mutatis mutandis pursuant to Article 96-13-2, paragraph (7) of the Act following the deemed replacement of terms, is that of making the amounts as provided in each of following items the price of the shares prescribed in that paragraph, in accordance with the categories of cases stated below:

- (i) if the shares are sold through a market transaction: the sale price of the transaction;
- (ii) in cases other than the case stated in the preceding item: the higher of the following prices:
  - (a) the closing price of the shares on the market on which the shares are traded, as of the date of the sale pursuant to Article 234, paragraph (2) of the Companies Act, as applied mutatis mutandis pursuant to Article 96-13-2, paragraph (7) of the Act (referred to below as the "sales date" in this item) (if no sale and purchase transaction was consummated on the sales date, or if the sales date falls on a non-business day of the market, the contract price of the sale and purchase transaction effected for the first time after that day); or
  - (b) if the shares are the target of a tender offer, etc. on the date of the sale, the price of the shares under the contract in relation to the tender offer, etc. on the date of the sale.

(Matters Subject to Public Notice after Entity Conversion from Mutual Company to Stock Company)

Article 46-3 The matters to be specified by Cabinet Office Order, as provided in Article 82, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 96-15 of the Act, are as follows:

- (i) the progress of procedures under Article 88 of the Act; and
- (ii) effective date (meaning the effective date as provided in Article 86, paragraph (4), item (xii) of the Act; the same applies in item (v) of the following Article).

(Matters Subject to Ex-Post Facto Disclosure by Converted Stock Company)

Article 46-4 The matters to be specified by Cabinet Office Order, as provided in Article 82, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 96-15 of the Act, are as follows:

- (i) the progress of procedures under Article 88 of the Act; and
- (ii) when the share exchange on entity conversion was implemented, the following matters:
  - (a) the date when the share exchange on entity conversion becomes effective;
  - (b) the progress of the following procedures by the wholly owning parent company resulting from the share exchange;
    - 1. the progress of the procedures related to the demand under Article 796-2 (Demanding Cessation of Absorption-Type Merger) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act; and
    - 2. the progress of the procedures under Article 797 (Dissenting Shareholders' Appraisal Rights), Article 799 (excluding paragraph (1), items (i) and (ii)) (Objections of Creditors) of the Companies Act as applied mutatis mutandis pursuant to Article 96-5, paragraph (3) of the Act;
  - (c) the number of shares in the converted stock company transferred to the wholly owning parent company resulting from the share exchange, in virtue of the share exchange on entity conversion (or the classes of share and the number of shares by class, if the stock company under that item is a company with class shares);
  - (d) beyond what is stated in the (a) through (c), material matters related to the share exchange on entity conversion;
- (iii) when the share transfer on entity conversion was implemented, the following matters:
  - (a) the date when the share transfer on entity conversion becomes effective;
  - (b) the progress of the following procedures in relation to the stock company referred to in Article 96-9, paragraph (1), item (ix) of the Act:
    - 1. the progress of the procedures related to the demand under Article 805-2 (Demanding Cessation of a Consolidation-Type Merger) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act; and
    - 2. the progress of the procedures under Article 806 (Dissenting Shareholders' Appraisal Rights), Article 808 (excluding paragraph (1), items (i) and (ii) and paragraph (3), items (i) and (ii)) (Exercise of Appraisal Rights on Share Options) and Article 810 (excluding paragraph (1), items (i) and (ii)) (Objections of Creditors) of the Companies Act as applied mutatis mutandis pursuant to Article 96-9, paragraph (5) of the Act;
  - (c) the status of progress of the procedures under Article 88 of the Act in relation to the other converting mutual company;
  - (d) the number of shares in the converted stock company which have been

- transferred to the wholly owning parent company incorporated in a share transfer on entity conversion in virtue of the share exchange on entity conversion (or the classes of share and the number of shares by class, where the stock company under that item is a company with class shares);
- (e) beyond what is stated in (a) through (d), material matters related to the share transfer on entity conversion;
- (iv) when the partial share exchange on entity conversion was implemented, the following matters:
- (a) the day when the partial share exchange on entity conversion becomes effective;
- (b) the number of shares of the subsidiary company resulting from a partial share exchange on entity conversion transferred to the converted stock company upon the partial share exchange on entity conversion (or the classes of share and the number of shares by class, if the subsidiary company resulting from a partial share exchange on entity conversion is a company with class shares);
- (c) the number of share options of the subsidiary company resulting from a partial share exchange on entity conversion transferred to the converted stock company upon the share delivery on entity conversion;
- (d) if the share options referred to in (c) are attached to bonds with share option, the total of the amounts for each bond with respect to the bonds with share option (limited to bonds acquired by the converted stock company in connection with the partial share exchange on entity conversion);
- (e) beyond what is stated in (a) through (d), important matters with respect to the partial share exchange on entity conversion.
- (v) effective date; and
- (vi) beyond what is stated in the preceding items, material matters related to the entity conversion.

### **Chapter III Business**

(Restrictions on Methods of Asset Investment)

Article 47 The methods to be specified by Cabinet Office Order, as provided in Article 97, paragraph (2) of the Act are as follows:

- (i) acquisition of securities (meaning securities provided in Article 2, paragraph (1) of the Financial Instruments and Exchange Act and those deemed to be securities pursuant to the provisions of paragraph (2) of the same Article) (excluding acquisition which falls under items (iii), (iii)-2, (vi)-2, (viii), and (ix));
- (ii) acquisition of real property;

- (iii) acquisition of monetary claims;
- (iii)-2 acquisition of short-term bonds, etc. (meaning short-term bonds, etc. provided in Article 98, paragraph (6) of the Act; the same applies below);
- (iv) acquisition of gold bullion;
- (v) loan of money (including call loans);
- (vi) loan of securities;
- (vi)-2 capital contributions under a partnership agreement provided in Article 667, paragraph (1) of the Civil Code or a silent partnership agreement provided in Article 535 of the Commercial Code (Act No. 48 of 1899);
- (vii) deposits or savings;
- (viii) trusts of money, monetary claims, securities, or real property, etc.;
- (ix) transactions of securities-related derivatives (meaning transactions of securities-related derivatives provided in Article 28, paragraph (8), item (vi) of the Financial Instruments and Exchange Act; the same applies below);
- (x) derivatives transactions provided in Article 2, paragraph (20) of the Financial Instruments and Exchange Act (excluding those falling under transactions in the preceding item and transactions relating to crypto- and other assets (meaning crypto- and other assets provided in paragraph (24), item (iii)-2 of that Article; the same applies below) or cryptoasset-related financial index (meaning the cryptoasset-related financial index provided in Article 185-22, paragraph (1), item (i) of that Act; the same applies in Article 52-2-2, item (iii) and Article 56, paragraph (2), item (i)));
- (xi) financial derivatives transactions provided in Article 98, paragraph (1), item (viii) of the Act;
- (xii) foreign exchange futures transactions; and
- (xiii) methods equivalent to those stated in the preceding items.

#### Article 48 Deleted

(Other Persons Having Special Relationship with the Same Person)

Article 48-2 (1) Persons who have a special relationship to be specified by Cabinet Office Order, as provided in Article 97-2, paragraph (2) of the Act, are as the persons stated in the following items, when the same person provided in the main clause of the same paragraph (excluding persons who have a special relationship as specified by Cabinet Office Order; referred to below as the "same investment target" in this Article, the following Article and Article 48-5) is not a subsidiary company of the insurance company, an insurance holding company of which the insurance company is a subsidiary company, or a subsidiary company of the insurance holding company (such persons exclude the insurance company, a subsidiary company of the insurance company, an insurance holding company of which the insurance company is a subsidiary

company, and a subsidiary company of the insurance holding company):

- (i) the following persons, if the same investment target is a company:
    - (a) a subsidiary company of the same investment target;
    - (b) a company that holds the same investment target as its subsidiary company;
    - (c) a subsidiary company of a company stated in (b) (excluding the same investment target and also excluding a party which falls under the category of a company stated in (a) or (b));
    - (d) a person other than a company that holds the voting rights exceeding 50 percent of all shareholders' voting rights of the same investment target;
    - (e) a person other than a company that holds the voting rights exceeding 50 percent of all shareholders' voting rights of the company that holds the same investment target as its subsidiary company;
    - (f) a company over 50 percent of all of whose shareholders' voting rights are held by a person stated in (d) or (e) (excluding a company that falls under the same investment target and a company stated in (b)), and a subsidiary company of the company; or
    - (g) other company over 50 percent of all of whose shareholders' voting rights are held by the same investment target or a company stated in (a), (b), (c), or (f) (referred to as a "company for aggregation" in paragraph (3)) and a person stated in (d) or (e) (such other company excludes that which falls under any company stated in (a), (b), (c), or (f));
  - (ii) the following persons, if the same investment target is not a company:
    - (a) a company over 50 percent of all of whose shareholders' voting rights are held by the same investment target (referred to below as a "company under control of same investment target" in this Article); or
    - (b) other company over 50 percent of all of whose shareholders' voting rights are held by the same investment target and one or multiple company (companies) controlled by the same investment target, or by one or multiple company (companies) controlled by the same investment target (such other company excludes that which falls under a company stated in (a)).
- (2) The provisions of Article 2, paragraph (15) of the Act apply mutatis mutandis to voting rights held by persons provided in the items of the preceding paragraph or the persons' voting rights held, if any of these provisions applies.
- (3) For the purpose of application of the provisions of the items of paragraph (1), a company stated in item (i), (g) of the same paragraph and a company stated in item (ii), (b) of the same paragraph is deemed to be a company for aggregation and a company under control of same investment target, respectively.

(Restrictions on Amount of Asset Investment Provided in Article 97-2,  
Paragraph (2) of the Insurance Business Act)

Article 48-3 (1) The amount to be specified by Cabinet Office Order as the amount of asset investment by an insurance company to the same person as provided in Article 97-2, paragraph (2) of the Act is as follows:

(i) from among the total assets (in cases where a special account or accumulation account (meaning an account established pursuant to the provisions of Article 30-3, paragraph (1) (including the cases where it is applied mutatis mutandis pursuant to Article 63 following the deemed replacement of terms); the same applies below in this paragraph and Article 59-2, paragraph (1), item (iii), (b), 6.) is established, assets that have been accounted for under the special account or accumulation account are excluded; the same applies below in item (i) of the following paragraph and Article 48-5, paragraph (2)), the amount obtained by summing up the amounts of assets stated in (a) through (e) below (if the assets are available-for-sale securities (meaning available-for-sale securities prescribed in Article 8, paragraph (22) of the Regulations on Financial Statements, etc.; the same applies below), and when the sum of their amounts recorded in the balance sheet exceeds the sum of their book values, the sum of their book values) in relation to investment to the same person:

(a) corporate bonds (excluding short-term bonds (meaning short-term bonds stated in Article 98, paragraph (6), item (i) of the Act and short-term bonds stated in item (v) of the same paragraph; the same applies in Article 53-2-2, paragraph (2), Article 53-6-2, paragraph (2), item (iii), and Article 140-3, paragraph (1), item (i), (a)) and shares issued by the same person (including capital contributions; the same applies below in (a)) (excluding shares issued by the same person in cases where the same person is any of the following persons which is a subsidiary company of the insurance company)):

1. a person stated in Article 106, paragraph (1), item (i) to item (ii)-2 and item (viii) of the Act;

2. an insurance holding company, small amount and short term insurance holding company and a company stated in Article 106, paragraph (1), item (xviii) of the Act (limited to the company having the company stated in item (viii) of the same paragraph as its subsidiary company; the same applies in i.) whose ratio obtained by dividing the total amount of its own income and its subsidiary companies' income (limited to the following companies) by the total amount of its own income and its subsidiary companies' income is not smaller than 90 percent:

i. a person stated in Article 106, paragraph (1), item (i) through item (ii)-

- 2, item (viii) and item (xviii), insurance holding company and small amount and short term insurance holding company;
- ii. a company engaged solely in the business stated in the items of Article 56-2, paragraph (1);
- iii. a company engaged solely in the business stated in the items of Article 57-2;
- iv. a company engaged solely in the business specified in the items of Article 210-7, paragraph (2) (excluding those stated in ii. above);
- v. a company engaged solely in the business stated in the items of Article 211-34, paragraph (1) (excluding those stated in ii. through iv. above);
- (b) loans (excluding loans to be granted under policy conditions, call loans, and other loans specified by the Commissioner of the Financial Services Agency) and loaned securities (excluding the portion equivalent to the amount of the collateral of loaned securities secured by cash) to the same person;
- (c) deposits (excluding current deposits and ordinary deposits) to the same person;
- (d) guarantee of debts for the same person;
- (e) the amount calculated in accordance with the standard specified by the Commissioner of the Financial Services Agency as assets for investment related to the derivatives transactions with the same person;
- (f) assets for investment for the business stated in Article 98, paragraph (1), item (xii) of the Act with the same person (limited to those recorded on the lease in investment assets account of the balance sheet (in cases where the amount of ancillary expenses necessary for making available the leased property prescribed in (a) of that item is not recorded in the lease in investment assets account, including the ancillary expenses)); or
- (ii) if an accumulation account is established, the amount obtained by summing up the amounts of assets in accumulation account stated in (a) through (f) of the preceding item.
- (2) The amount calculated in accordance with Cabinet Office Order, as provided in Article 97-2, paragraph (2) of the Act is the amount stated in the following items, in accordance with the categories of the amounts of asset investment respectively stated in those items; provided, however, that this does not apply when approved by the Commissioner of the Financial Services Agency:
  - (i) the amount of asset investment provided in item (i) of the preceding paragraph: the amounts as respectively specified below in accordance with the following categories of the amounts of asset investment:
    - (a) the amount related to investment to the same investment target (excluding the amount stated in (c)): the amount calculated by multiplying

- the amount of the total assets (if the assets are available-for-sale securities, and when the sum of their amounts recorded in the balance sheet exceeds the sum of their book values, the sum of their book values; the same applies below in this item and Article 48-5, paragraph (2)) by 10 percent (for loans provided in item (i), (b) of the preceding paragraph, guarantee of debts provided in (d) of that item and assets for investment related to the business stated in Article 98, paragraph (1), item (xii) of the Act as referred to in item (i), (f) of the preceding paragraph (referred to below as "loans, etc." in this item and Article 48-5, paragraph (2)), the amount calculated by multiplying the amount of the total assets by 3 percent);
- (b) the amount related to investment to the same person (excluding the amount stated in (d)): the amount calculated by multiplying the amount of the total assets by 10 percent (for loans, etc., the amount calculated by multiplying the amount of the total assets by 3 percent);
- (c) the amount related to investment to an insurance company's major shareholder who holds voting rights not less than the major shareholder threshold in the insurance company: the amount calculated by multiplying the amount of the total assets by 6 percent (for loans, etc., the amount calculated by multiplying the amount of the total assets by 2 percent);
- (d) when the insurance company's major shareholder who holds voting rights not less than the major shareholder threshold in the insurance company is the same investment target, the amount related to investment to the same person related to the insurance company's major shareholder: the amount calculated by multiplying the amount of the total assets by 6 percent (for loans, etc., the amount calculated by multiplying the amount of the total assets by 2 percent);
- (ii) the amount of asset investment, in cases provided in item (ii) of the preceding paragraph: the amounts as respectively specified below in accordance with the following categories of the amounts of asset investment:
- (a) the amount related to investment to the same investment target (excluding the amount stated in (c)): the amount calculated by multiplying the total amount of assets in accumulation account (if the assets are available-for-sale securities, and when the sum of their amounts recorded in the balance sheet exceeds the sum of their book values, the sum of their book values; the same applies below in this item) by 10 percent (regarding assets specified by the Commissioner of the Financial Services Agency, the amount calculated by multiplying by ratios specified thereby);
- (b) the amount related to investment to the same person (excluding the amount stated in (d)): the amount calculated by multiplying the total amount of assets in accumulation account by 10 percent (regarding assets specified by the Commissioner of the Financial Services Agency, the

- amount calculated by multiplying by ratios specified thereby);
- (c) the amount related to investment to an insurance company's major shareholder who holds voting rights not less than the major shareholder threshold in the insurance company: the amount calculated by multiplying the total amount of assets in accumulation account by 6 percent (regarding assets specified by the Commissioner of the Financial Services Agency, the amount calculated by multiplying by ratios specified thereby); or
  - (d) when an insurance company's major shareholder who holds voting rights not less than the major shareholder threshold in the insurance company is the same investment target, the amount related to investment to the same person related to the insurance company's major shareholder: the amount calculated by multiplying the total amount of assets in accumulation account by 6 percent (regarding assets specified by the Commissioner of the Financial Services Agency, the amount calculated by multiplying by ratios specified thereby).
- (3) If an insurance company seeks to obtain an approval referred to in the proviso to the preceding paragraph, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching a written statement of reasons and a document containing any other matters which would serve as reference information.

(Persons Having Special Relationship with insurance company)

Article 48-4 A person having a special relationship to be specified by Cabinet Office Order, as provided in Article 97-2, paragraph (3) of the Act is as follows:

- (i) a subsidiary corporation, etc. (meaning a subsidiary corporation, etc. provided in Article 13-5-2, paragraph (3) of the Cabinet Order; the same applies below) of the insurance company; or
- (ii) an affiliated corporation, etc. (meaning an affiliated corporation, etc. provided in Article 13-5-2, paragraph (4) of the Cabinet Order; the same applies below) of the insurance company.

(Restrictions on Amount of Asset Investment Provided in Article 97-2, Paragraph (3) of the Insurance Business Act)

Article 48-5 (1) The amount to be specified by Cabinet Office Order as the amount of asset investment by the insurance company and the subsidiary company, etc. provided in the first sentence of Article 97-2, paragraph (3) of the Act (meaning a subsidiary company, etc. provided in the first sentence of the same paragraph; the same applies below in this Article and the following Article) or the amount by the subsidiary company, etc. to the same person, as referred to in Article 97-2, paragraph (3) of the Act is the amount obtained by summing up the amounts stated in the following items in relation to

investment to the same investment target or the same person (referred to below as the "grand total amount of asset investment" in this Article and the following Article):

- (i) the amount of asset investment calculated pursuant to the provisions of Article 48-3, paragraph (1), item (i), regarding the insurance company; and
  - (ii) the amount of asset investment calculated pursuant to the provisions of Article 48-3, paragraph (1), item (i), regarding the subsidiary company, etc. of the insurance company.
- (2) The amount calculated in accordance with Cabinet Office Order, as provided in Article 97-2, paragraph (3) of the Act is the amount stated in the following items, in accordance with the categories of the amounts of asset investment respectively stated in those items; provided, however, that this does not apply when approved by the Commissioner of the Financial Services Agency:
- (i) the grand total amount of asset investment to the same investment target (excluding the amount stated in item (iii)): the amount calculated by multiplying the sum of the amount of the total assets of the insurance company and the amount of equity capital of the subsidiary company, etc. (referred to below as the "grand total of assets, etc." in this paragraph) by 10 percent (for loans, etc., the amount calculated by multiplying the grand total of assets, etc. by 3 percent);
  - (ii) the grand total amount of asset investment to the same person (excluding the amount stated in item (iv)): the amount calculated by multiplying the grand total of assets, etc. by 10 percent (for loans, etc., the amount calculated by multiplying the grand total of assets, etc. by 3 percent);
  - (iii) the grand total amount of asset investment to an insurance company's major shareholder who holds voting rights exceeding the major shareholder threshold in the insurance company: the amount calculated by multiplying the grand total of assets, etc. by 6 percent (for loans, etc., the amount calculated by multiplying the grand total of assets, etc. by 2 percent); or
  - (iv) when an insurance company's major shareholder who holds voting rights exceeding the major shareholder threshold in the insurance company is the same investment target, the grand total amount of asset investment to the same person related to the insurance company's major shareholder: the amount calculated by multiplying the grand total of assets, etc. by 6 percent (for loans, etc., the amount calculated by multiplying the grand total of assets, etc. by 2 percent).
- (3) If an insurance company seeks to obtain an approval referred to in the proviso to the preceding paragraph, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching a written statement of reasons and a document containing any other matters which would serve as reference information.

(Necessary Matters Concerning Application of the Provisions of Article 97-2, Paragraph (3) of the Insurance Business Act)

Article 48-6 (1) The amount of asset investment by the insurance company and the subsidiary company, etc. or the amount by the subsidiary company, etc. to the same person, as provided in Article 97-2, paragraph (3) of the Act is the amount that remains after deducting the Adjustment for the same person from the grand total amount of asset investment.

(2) The adjustment provided in the preceding paragraph is the portion of the loans for funds to be provided by the subsidiary company, etc. that is guaranteed by the insurance company or other subsidiary company, etc. or other amount specified by the Commissioner of the Financial Services Agency.

(3) The grand total of assets, etc. provided in paragraph (2), item (i) of the preceding Article is the amount adjusted as necessary, as specified by the Commissioner of the Financial Services Agency.

(Prohibition of Acts in Evasion of Law by Way of Creation of Trusts)

Article 49 An insurance company may not evade restrictions under Articles 47, 48-3, and 48-5 by way of creation of trusts on money, monetary claims, securities, or real property, etc.

(Exception of Restrictions on Investment of Assets)

Article 50 An insurance company may, if the method or the amount of asset investment contravenes restrictions under Articles 47, 48-3, and 48-5 and the preceding Article, due to any fluctuations of the prices of the assets, the exercise of security rights, the substitute performance or any other reasons contrary to the insurance company's intention, continue to make asset investments by that method or in that amount. In this case, the insurance company must gradually effect modification to the method and the amount of asset investment in accordance with the purport of Articles 47, 48-3, and 48-5 and the preceding Article.

(Business Agency or Business Handling Service)

Article 51 Business agency service or business handling service to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (i) of the Act, is as follows:

(i) the following business handling services or other services related to insurance business, for other insurance companies (including foreign insurers), small amount and short term insurer, or ship-owners mutual insurance associations (meaning ship-owners mutual insurance associations provided in Article 2, paragraph (1) (Definition) of the Ship-owners Mutual

- Insurance Association Act (Act No. 177 of 1950); the same applies below):
- (a) preparation, delivery and receiving, etc. of documents concerning underwriting of insurance and other services;
  - (b) services for receiving Insurance Premiums and services for paying insurance proceeds, etc.;
  - (c) investigation into insured events and other matters related to insurance contracts; and
  - (d) education and management of persons soliciting insurance;
- (ii) acting as an agent (including provision of an brokerage service; the same applies below in this Article, Articles 141 and 211-24) for the conclusion of insurance contracts or carrying out other services related to insurance business including damage assessment on behalf of other insurance companies (including foreign insurers), small amount and short term insurer, or ship-owners mutual insurance associations, which is deemed reasonable to be carried out by an insurance company from the viewpoint of improving convenience of policyholders, etc.;
- (iii) the bank agency service, etc. (meaning the bank agency service provided in Article 2, paragraph (14) of the Banking Act (Act No. 59 of 1981); the long term credit bank agency service provided in Article 16-5, paragraph (2) of the Long Term Credit Bank Act; the Shinkin bank agency service provided in Article 85-2, paragraph (2) of the Shinkin Bank Act (Act No. 238 of 1951); the labor bank agency service provided in Article 89-3, paragraph (2) of the Labor Bank Act (Act No. 227 of 1953); the credit cooperative agency service provided in Article 6-3, paragraph (2) of the Act on Financial Businesses by Cooperative (Act No. 183 of 1949); the specific credit business agency service provided in Article 92-2, paragraph (2) of the Agricultural Cooperatives Act; the specific credit business agency service provided in Article 106, paragraph (2) of the Fishery Cooperatives Act; the Norinchukin bank agency service provided in Article 95-2, paragraph (2) of the Norinchukin Bank Act (Act No. 93 of 2001); and the deposit, etc. intermediary business operations (meaning the deposit, etc. intermediary business operations provided in Article 11, paragraph (2) of the Act on Provision of Financial Services (Act No. 101 of 2000); the same applies in Article 234 and Article 234-27, paragraph (2)); the same applies in Article 141, item (iii) and Article 234, paragraph (1), item (xviii));
- (iii)-2 acting as an agent for the funds transfer service (meaning the funds transfer service provided in Article 2 (Definitions), paragraph (2) of the Act on Financial Settlement (Act No. 59 of 2009); the same applies in Article 56-2, paragraph (2), item (xxxiv)-2-2) conducted by the funds transfer service provider (meaning the funds transfer service provider provided in Article 2, paragraph (3) of the same Act; the same applies in Article 56-2, paragraph

- (2), item (xxxiv)-2-2) or business handling service related to the funds transfer service;
- (iv) acting as an agent for the loan of funds or providing business handling services concerning the loan of funds, on behalf of other insurance companies (including foreign insurers) or other persons engaged in financial business (excluding services falling under item (iii));
- (v) business handling services concerning the depositing or withdrawal of money related to the deposit or loan business to be conducted by a bank, etc. (meaning a bank, etc. provided in Article 275, paragraph (1), item (i) of the Act; the same applies in Article 53-3-3, Article 56, paragraph (6), items (viii) and (ix) and paragraph (7), item (i), Article 141, item (v), Article 210-7, paragraph (5), item (ii) and paragraph (6), item (i), Part III, Chapter I, Article 234, and Article 234-27, paragraph (1), item (ii)) by the use of cash dispensers or automated teller machines (excluding services falling under item (iii));
- (vi) acting as an agent for the conclusion of investment advisory contracts (meaning investment advisory contracts provided in Article 2, paragraph (8), item (xi) (Definitions) of the Financial Instruments and Exchange Act; the same applies in Article 141, item (vi)) or discretionary investment contracts (meaning discretionary investment contracts provided in item (xii), (b) of the same paragraph; the same applies in Article 56-2, paragraph (2), item (xxvi) and Article 141, item (vi)) on behalf of a financial instruments business operator, etc. (meaning a financial instruments business operator, etc. provided in Article 34 (Obligation of Notification to Professional Investors) of the Financial Instruments and Exchange Act; the same applies in Article 52-21, paragraph (1), item (iii) and Article 141, item (vi)); or business handling service related to the contracts;
- (vii) acting as an agent for the following businesses on behalf of a trust company, etc., foreign trust company (meaning a foreign trust company provided in Article 2, paragraph (6) (Definitions) of the Trust Business Act; the same applies below), or life insurance company, etc. carrying out insurance proceeds trust business (such insurance proceeds trust business means that which is provided in Article 99, paragraph (3) of the Act; and such life insurance company, etc. carrying out insurance proceeds trust business means that which is provided in Article 13-3 of the Cabinet Order; the same applies below), or business handling service for those businesses (excluding businesses falling under those provided in Article 99, paragraph (1) of the Act):
- (a) the conclusion of trust contracts (excluding trust agreements related to trusts provided in Article 3, item (i) (Businesses That Financial Institutions Cannot Conduct) of the Order for Enforcement of the Act on

Engagement in Trust Business by Financial Institutions (Cabinet Order No. 31 of 1993) and in Article 3, paragraph (1), item (i) (Businesses That Financial Institutions Cannot Conduct) of the Regulations for Enforcement of the Act on Engagement in Trust Business by Financial Institutions (Ministry of Finance Order No. 16 of 1982); the same applies in Article 141, item (vii), (a)); and

- (b) the conclusion of contracts to accept the entrustment of businesses stated in the items of Article 1, paragraph (1) (Authorization for Engagement in Trust Business by Financial Institutions) of the Act on Engagement in Trust Business by Financial Institutions (excluding businesses stated in the items of Article 3 of the Order for Enforcement of the Act on Engagement in Trust Business by Financial Institutions; the same applies in Article 141, item (vii), (b)).

(Application for Authorization of Business Agency or Business Handling Services)

Article 51-2 (1) If an insurance company seeks to obtain approval under Article 98, paragraph (2) of the Act, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching the following documents:

- (i) a written statement of reasons;
  - (ii) a document stating the details of the business or the services for which the insurance company provides business agency or business handling services as provided in Article 98, paragraph (1), item (i) of the Act (referred to as "agency business, etc." in the following paragraph and Article 141-2); and
  - (iii) a document containing any other matters which would serve as reference information.
- (2) When an application for the authorization under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether the application conforms the following standards:
- (i) that, judging from the status of maintenance of officers or employees having sufficient knowledge and experience concerning the agency business, etc., as well as the system for operating the agency business, etc., the insurance company that has made the application for the authorization is found to be able to perform the agency business, etc. in an accurate, fair and efficient manner;
  - (ii) that, when the insurance company conducts the agency business, etc. on behalf of other insurance companies (including foreign insurers; the same applies below in this Article), the agency business, etc. poses no risk of impeding fair and free competitions among insurance companies; and
  - (iii) that, when the insurance company conducts the agency business, etc. on

behalf of other insurance companies, small amount and short term insurer or ship-owners mutual insurance associations, the agency business, etc. poses no risk of impeding accurate, fair and effective performance of the businesses of those other insurance companies, small amount and short term insurer or ship-owners mutual insurance associations.

(Person Closely Related to Insurance Company)

Article 51-3 The person to be specified by Cabinet Office Order as being closely related to the insurance company, as referred to in the proviso to Article 98, paragraph (2) of the Act, is as follows:

- (i) the insurance company's subsidiary corporation, etc. (excluding the insurance company's Subsidiary);
- (ii) the insurance company's major shareholders (limited to holders of the voting rights who hold the voting rights related to the insurance company that amount to over 50 percent of all shareholders' voting rights in the insurance company (including a person deemed to be a holder of the voting rights in the insurance company pursuant to the provisions of Article 2-2, paragraph (1) of the Act));
- (iii) an insurance company or a foreign insurance company, etc. that is a parent corporation, etc. (meaning the parent corporation as prescribed in Article 13-5-2, paragraph (3) of the Cabinet Order; the same applies below) which has the insurance company as its subsidiary corporation, etc. (excluding those stated in the preceding item);
- (iv) a subsidiary corporation, etc. (excluding the insurance company, the insurance company's subsidiary company and the persons stated in item (i) and item (ii)) of an insurance holding company (including a holding company incorporated in accordance with the laws and regulations of the foreign state) which has the insurance company as its subsidiary company; or
- (v) an insurance company, foreign insurance company, etc. and small amount and short term insurer (excluding the insurance company, the insurance company's subsidiary company and the persons stated in the preceding items) which is a subsidiary corporation, etc. of a parent corporation, etc. which has the insurance company as its subsidiary corporation, etc.

(Scope of Certificates Representing Monetary Claims)

Article 52 The certificates to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (iv) of the Act are as follows:

- (i) certificates of negotiable deposits (meaning deposits for which a due date for withdrawal is provided and which is free from any special provisions on non-negotiability);
- (ii) commercial paper;

- (iii) housing mortgage certificate;
- (iv) certificates of beneficial interest in a loan credit trust;
- (iv)-2 Mortgage Securities provided in Article 1, paragraph (1) of the Mortgage Securities Act (Act No. 15 of 1931);
- (v) certificates of beneficial interest in commodities investment as provided in Article 2, paragraph (6) (Definitions) of the Act on Regulation of Commodity Investment (Act No. 66 of 1991);
- (vi) securities or certificates issued by a foreign corporation that indicate beneficial interest in a trust created on a loan credit of an operator of the banking business (meaning the banking business provided in Article 2, paragraph (2) (Definitions, etc.) of the Banking Act; the same applies below) or other person engaged in the loan of money in the course of trade, or other similar rights; or
- (vii) securities or certificates that indicate the rights related to transactions provided in Article 98, paragraph (1), item (vi) or (viii) of the Act.

(Securities Equivalent to Specified Company Bonds)

Article 52-2 The securities to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (iv)-2 of the Act are securities provided in Article 15-17, paragraph (1), item (ii) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965) or in paragraph (3) of the same Article (for securities provided in the same paragraph, limited to those securities that have the nature of those stated in Article 2, paragraph (1), item (iv) or (v) of the Financial Instruments and Exchange Act), for which the assigned assets provided in Article 40, item (i) of the Cabinet Office Order on Financial Instruments Business, etc. (Cabinet Office Order No. 52 of 2007) are monetary claims (meaning the monetary claim as provided in Article 98, paragraph (1), item (iv)-2 of the Act; the same applies below in this Article) or beneficial interest in a trust created on monetary claims.

(Derivatives Transactions)

Article 52-2-2 The derivatives transactions to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), items (vi) and (vii) of the Act are derivatives transactions provided in Article 2, paragraph (20) of the Financial Instruments and Exchange Act, excluding the following transactions:

- (i) transactions for asset investment;
- (ii) securities-related derivatives transactions; and
- (iii) transactions relating to crypto- and other assets or cryptoasset-related financial indexes.

(Financial Derivatives Transactions)

Article 52-3 (1) The equivalent transactions to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (viii) of the Act are as follows:

- (i) transactions wherein the parties mutually agree to pay money for a certain quantity of commodities specified by those parties, based on the commodity prices agreed to by the parties, or any other similar transactions (limited to the following transactions; referred to below as "commodity derivatives transactions"):
    - (a) transactions settled by way of delivery and receipt of the difference;
    - (b) sale and purchase transactions wherein the parties thereto undertake to give or receive commodities and the consideration therefor, which satisfy all the following requirements:
      - 1. that the commodities related to the sale and purchase transactions are not in possession of any of the parties after the settlement is completed; and
      - 2. that the parties bear no risks that may arise in the process of custody or transportation of the commodities in relation to the sale and purchase transactions;
  - (ii) transactions wherein the parties mutually agree to pay money for a certain carbon dioxide equivalent quotas (meaning carbon dioxide equivalent quotas provided in Article 2, paragraph (7) (Definitions) of the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998) or any other quotas similar thereto; the same applies below), the quantity of which are fixed by those parties, based on the quotation of the carbon dioxide equivalent quotas fixed by the parties, or other similar transactions similar thereto (limited to the following transactions):
    - (a) transactions settled by delivery or receipt of the difference;
    - (b) sale and purchase transactions wherein the parties thereto undertake to deliver or receive carbon dioxide equivalent quotas and the consideration therefor and the carbon dioxide equivalent quotas related to the sale and purchase transactions are not in the possession of any of the parties after completion of the settlement; or
  - (iii) transactions wherein the parties thereto undertake that one of the parties thereto grants the other party the right to effect a transaction stated in the preceding two items between the parties only by a unilateral manifestation of the other party's intention and that the other party pays the consideration for the right, or other similar transactions.
- (2) The transactions specified by Cabinet Office Order as those which are found unlikely to damage the soundness of management of an insurance company, as provided in Article 98, paragraph (1), item (viii) of the Act are those stated in

the items of the preceding paragraph.

- (3) The business to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (ix) of the Act is intermediary, brokerage or agency service for the transactions stated in Article 2, paragraph (14), items (i) through (iii) and item (iv) (excluding (d)) (Definitions) of the Commodity Futures Act (Act No. 239 of 1950), which are conducted using quotations on a commodity market (meaning the commodity market as provided in Article 2, paragraph (9) of that Act) regarding goods comprising the listed commodity, etc. (meaning the goods comprising the listed commodity, etc. as prescribed in Article 15, paragraph (1), item (i) (Criteria for Permission and Hearing of Opinions) of that Act).

(Requirements for Lease Contracts)

- Article 52-3-2 (1) The contract to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (xii), (a) of the Act is a contract for making machinery and other articles available for use in which the parties may not cancel the contract before the end of the period of use (meaning the period of use as prescribed in (a) of that item; the same applies below in this paragraph) and the other party to the contract is to pay almost all of the payment for the unpaid period of use in the case of breach of the obligations based on the contract or cancellation of the contract before the end of the period of use under the contract.
- (2) The costs to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (xii), (b) of the Act are the amount of interests and fees.

(Businesses Contributing to Regional Revitalization)

Article 52-3-3 The businesses to be specified by Cabinet Office Order, as provided in Article 98, paragraph (1), item (xv) of the Act, are the following businesses (in the case of newly acquiring management resources for performing operations to execute the businesses in addition to the human resources, information and communications technology, equipment and any other management resources retained by the insurance company relating to the insurance business conducted by the insurance company, even if most of the parts are not used due to demand status, limited to businesses that are not likely to hinder the sound and appropriate performance of the operations of the insurance company):

- (i) consultation on management of other business operators, etc. (meaning a corporation, other organization, and an individual carrying out a business (limited to an individual in the case of performing an act for the interest of the business); the same applies below), introduction of business operators, etc. or customers related to operations of the other business operator, etc., provision of other necessary information, advice, and acceptance of entrusted

affairs related to these (referred to below as a "business consultation service");

- (ii) worker dispatching services prescribed in Article 2, item (iii) (Definitions) of the Act on Ensuring the Proper Operation of Worker Dispatching Services and Protecting Dispatched Workers (Act No. 88 of 1985) related to a professional with highly-skilled capabilities and other professionals contributing to improving the management of business operators, etc. who are users of the insurance company (limited to the worker dispatching services implemented in relation to conducting business consultation services and other operations conducted by the insurance company wherein dispatched workers subject to the worker dispatch (meaning dispatched workers prescribed in item (ii) of that Article and limited to those subject to the worker dispatch prescribed in item (i) of that Article implemented in the course of trade; the same applies in Article 57-3, paragraph (1), item (iii)) are not regularly employed workers);
- (iii) system design, development, or maintenance (limited to these businesses relating to a system that is designed or developed solely by the insurance company or jointly with other business operators, etc., or an equivalent system), or program design, creation, sale (including the sale of peripheral equipment that is necessary in association with the sale of the program), or maintenance (limited to these businesses relating to a program that is designed or created solely by the insurance company or jointly with other business operators, etc., or an equivalent program) that function by using a computer for other business operators, etc.;
- (iv) advertising, publicizing, investigating, analyzing information, or providing information related to the businesses of other business operators, etc.;
- (v) visiting users of the insurance company regularly or in response to a notification.

(Business Incidental to Securities-Related Business)

Article 52-4 The business to be specified by Cabinet Office Order, as provided in Article 99, paragraph (1) of the Act is as follows:

- (i) taking safe custody of beneficiary securities of investment trusts or foreign investment trusts provided in the Act on Investment Trust and Investment Corporations (referred to below as "beneficiary securities") or investment securities, investment equity subscription right certificates or foreign investment securities provided in that Act (referred to below as "investment securities");
- (ii) acting as an agent for the business related to the payment of profits, redemption, or surrender benefit related to beneficiary securities;
- (iii) acting as an agent for the business related to distribution of money, refund

- or residual assets related to investment securities;
- (iv) acting as an agent for customers in connection with registration of transfers of investment securities;
- (v) the conclusion of a contract for cumulative investment provided in Article 35, paragraph (1), item (vii) of the Financial Instruments and Exchange Act, which relates to beneficiary securities or investment securities; and
- (vi) book-transfer services carried out as an account manager referred to in Article 2, paragraph (4) of the Act on Transfer of Corporate Bonds, Shares, etc. (Act No. 75 of 2001).

(Acquisition of Carbon Dioxide Equivalent Quotas)

Article 52-4-2 The business to be specified by Cabinet Office Order, as provided in Article 99, paragraph (2), item (iv) of the Act, is services of conclusion of a contract on acquisition or transfer of carbon dioxide equivalent quotas or intermediary, brokerage, or agency service therefor.

(Application for Authorization of Conducting Securities-Related Business)

Article 52-5 (1) If an insurance company seeks to obtain an authorization under Article 99, paragraph (4) of the Act, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching the following documents:

- (i) a written statement of reasons;
- (ii) a document stating the details and the method of the business for which the application for authorization is filed; and
- (iii) a document containing any other matters which would serve as reference information.

(2) When an application for the approval under the preceding paragraph has been made, the Commissioner of the Financial Services Agency is to examine whether the application conforms the following standards:

- (i) that the performance of the business related to the application for authorization (referred to below as the "business related to application" in this paragraph) by the insurance company that has made the application for approval (referred to below as the "applicant insurance company" in this paragraph) poses no risk of impeding the performance of its business under Article 97, paragraph (1) or (2) of the Act;
- (ii) that the applicant insurance company holds a financial basis sufficient for performing the business related to application in a sound and appropriate manner;
- (iii) that, judging from the status of the applicant insurance company's business operation and compliance with laws as of the time of the filing of the application for authorization and any other factors, the applicant

- insurance company has no problem concerning its business management system; and
- (iv) that, judgment from its personnel structure and other factors, the applicant insurance company is deemed capable of performing the business related to application in a proper, fair and effective manner.

(Application for Authorization of Accepting Entrustment of Public Offering or Management of Bonds)

Article 52-6 (1) If an insurance company seeks to obtain an authorization under Article 99, paragraph (5) of the Act, it must submit to the Commissioner of the Financial Services Agency a written application for authorization, attaching a written statement of reasons and a document containing any other matters which would serve as reference information.

(2) When an application for the authorization under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether the application conforms to the following standards:

- (i) that the performance of the business related to the application for authorization (referred to below as the "business related to application" in this paragraph) by the insurance company that has made the application for authorization (referred to below as the "applicant insurance company" in this paragraph) poses no risk of impeding the performance of its business under Article 97, paragraph (1) or (2) of the Act;
- (ii) that the applicant insurance company has a financial basis sufficient for the performance of the business related to application in a sound and appropriate manner;
- (iii) that, judging from the status of the applicant insurance company's business operation and compliance with laws as of the time of filing the application for authorization, the applicant insurance company has no problem concerning its business management system; and
- (iv) that, judging from its personnel structure or any other factors, the applicant insurance company is deemed capable of performing the business related to application properly, fairly and effectively.

(Notification of Deposit for Operation)

Article 52-7 (1) A person who has completed making a deposit pursuant to the provisions of Article 11, paragraph (1), (4) or (8) of the Trust Business Act, as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act (including the cases where applied mutatis mutandis pursuant to Article 199 of the Act (including as applied mutatis mutandis pursuant to Article 240, paragraph (1) of the Act; the same applies below)), must submit to the Commissioner of the Financial Services Agency a written notification of deposit

prepared in accordance with Appended Form No. 8, attaching the original of the certificate of deposit relevant to the deposit.

- (2) When a life insurance company, etc. carrying out insurance proceeds trust business intends to replace the items already deposited, it must, after having completed the new deposit of the replacement items, submit to the Commissioner of the Financial Services Agency a written notification stating to that effect, attaching the original of the certificate of deposit relevant to the replacement deposit.
- (3) When the Commissioner of the Financial Services Agency has received the original of the deposit certificate referred to in the preceding two paragraphs, the Commissioner of the Financial Services Agency must deliver a custody certificate to the depositor.

(Notification of Conclusion of Contracts to Be Substituted for Deposit for Operation)

- Article 52-8 (1) When any life insurance company, etc. carrying out insurance proceeds trust business has concluded a contract under Article 11, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act (including cases where it has effected any amendment to the terms of the contracts upon the approval of the Commissioner of the Financial Services Agency), it must notify the Commissioner of the Financial Services Agency to that effect by submitting the written notification of the conclusion of a guarantee contract prepared in accordance with Appended Form No. 8-2, with the copy of the contract attached thereto, and must present the original of the contract.
- (2) When a life insurance company, etc. carrying out insurance proceeds trust business intends to effect any amendment or the cancellation of the contract concluded in place of a deposit for operation, it must file an application for approval thereon with the Commissioner of the Financial Services Agency, by submitting a written application for approval of amendment of guarantee contract prepared in accordance with Appended Form No. 8-3 or a written application for approval of the cancellation of a guarantee contract prepared in accordance with Appended Form No. 8-4.
  - (3) When the application for approval under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether it is unlikely that the protection of the investor would be prejudiced if the life insurance company, etc. carrying out insurance proceeds trust business which has filed the application for approval has effected any amendment or cancellation of the contract in replacement of the deposit for operation.
  - (4) When a life insurance company, etc. carrying out insurance proceeds trust business has effected any amendment or cancellation of the contract to be

substituted for deposit for operation with the approval granted by the Commissioner of the Financial Services Agency, it must notify the Commissioner of the Financial Services Agency to that effect by submitting a written notification of amendment to guarantee contract prepared in accordance with Appended Form No. 8-5 attaching the copy of the amended contract, or by submitting a written notification of the cancellation of a guarantee contract prepared in accordance with Appended Form No. 8-6 attaching a document certifying the fact of the cancellation of the contract; and in addition, in the case of effecting the amendment to the contract, the life insurance company, etc. carrying out insurance proceeds trust business must present the original of the amended contract.

(Counterparties to Contracts in Replacement of Deposit for Operation)

Article 52-8-2 The financial institutions to be specified by Cabinet Office Order, as provided in Article 13-3 of the Cabinet Order, are as follows:

- (i) a life insurance company (including a foreign life insurance company, etc. and an underwriting member of a party licensed under Article 219, paragraph (4) of the Act (meaning the underwriting member as provided in paragraph (1) of the same Article; the same applies below));
- (ii) a non-life insurance company (including a foreign non-life insurance company, etc. and an underwriting member of a party licensed under Article 219, paragraph (5) of the Act);
- (iii) the long term credit bank as provided in Article 2 (Definitions) of the Long Term Credit Bank Act (referred to below as the "long term credit bank");
- (iv) a cooperative structured financial institution as provided in Article 2, paragraph (1) (Definitions) the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions (Act No. 44 of 1993); and
- (v) the Shoko Chukin Bank Limited.

(Starting Day for Counting Time Limit for Additional Deposit for Operation)

Article 52-9 The day to be specified by Cabinet Office Order, as provided in Article 11, paragraph (8) of the Trust Business Act, as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, is the day stated in the following items, in accordance with the grounds for the accrual of deficiency in the amount of the deposit for operation respectively stated in each items:

- (i) if the life insurance company, etc. carrying out insurance proceeds trust business has effected any amendment to the terms of the contract provided in Article 11, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act (referred to below as the "contract" in this and the following item) with an approval under

- Article 13-3, item (iii) of the Cabinet Order (referred to below as the "approval" in the following item), as a result of which the amount of deposit for operation deposited as provided in Article 11, paragraph (10) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act (including the contract amount provided in paragraph (3) of the same Article) falls short of the amount specified in Article 13-2 of the Cabinet Order: the day of the amendment to the contract term;
- (ii) if the life insurance company, etc. carrying out insurance proceeds trust business has cancelled the contract with the approval: the day of the cancellation of the contract;
  - (iii) when the procedures for execution of the right as referred to in Article 13-4 of the Cabinet Order was implemented: the day when the life insurance company, etc. carrying out insurance proceeds trust business has received a copy of the payment entrustment document sent pursuant to the provisions of Article 11, paragraph (3) of the Regulations on Deposit for Operation of Insurance Companies, etc. (Cabinet Office Order and the Ministry of Justice Order No. 3 of 2004); or
  - (iv) if, for implementing procedures for the execution of the rights as referred to in Article 13-4 of the Cabinet Order, the Commissioner of the Financial Services Agency has realized the deposited securities (including the book-entry transfer bond provided in Article 278, paragraph (1) of the Act on Transfer of Corporate Bonds, Shares, etc.), and the Commissioner has deposited the realized amount less the realization costs: the day on which the life insurance company, etc. carrying out insurance proceeds trust business has received a notice of deposit under Article 12, paragraph (4) of the Regulations on Deposit for Operation of Insurance Companies, etc.

(Types of Securities Which May Deposited in Replacement of Deposit for Operation)

Article 52-10 The securities to be specified by Cabinet Office Order, as provided in Article 11, paragraph (9) of the Trust Business Act, as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, are as follows:

- (i) national government bond securities (including the national government bond securities, the attribution to which are determined in accordance with the statement or record contained in the book-entry transfer account book as referred to in the Act on Transfer of Corporate Bonds, Shares, etc.; the same applies below in this Article);
- (ii) municipal bond securities;
- (iii) government guaranteed bond certificates (meaning corporate bonds or any other bond certificates, for which the government guarantees redemption of principal and interest payments; the same applies in paragraph (1) of the

- following Article); and
- (iv) corporate bond certificates and any other bond certificates (excluding registered bond certificates, short-term corporate bonds, etc. and the bond certificates as stated in the preceding three items), which are approved by the Commissioner of the Financial Services Agency to be submitted instead of the deposit for operation.

(Value of Securities Which May Be Substituted for Deposit for Operation)

Article 52-11 (1) The value of the securities when the securities are to be submitted instead of deposit for operation pursuant to the provisions of Article 11, paragraph (9) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act is the amount stated in the following items, in accordance with the categories of the securities respectively stated in those items:

- (i) national government bond securities: the par value (if the attribution of the right to the securities is to be determined in accordance with the statement or record contained in the book-entry transfer account book as referred to in the Act on Transfer of Corporate Bonds, Shares, etc., the amount stated or recorded in the book-entry transfer account book; the same applies below in this Article);
  - (ii) municipal government bond securities: the amount calculated by discounting the par value of 100 yen to 90 yen;
  - (iii) government guaranteed bond certificates: the amount calculated by discounting the par value of 100 yen to 95 yen;
  - (iv) the corporate bond certificates and any other bond certificates securities provided in item (iv) of the preceding Article: the amount calculated by discounting the par value of 100 yen to 80 yen.
- (2) Regarding the securities issued by way of discounting, the issue value plus the amount calculated in accordance with the following formula is deemed to be the par value, and the provisions of the preceding paragraph apply.
- $$((\text{par value} - \text{issue value}) \div \text{the number of years falling on the period from the issue date to the maturity date}) \times \text{the number of years falling on the period from the issue date to the deposit date}$$
- (3) For the purpose of calculation in accordance with the formula referred to in the preceding paragraph, if any fraction of less than one year arises regarding the number of years from the issue date and the maturity date and the number of years falling on the period from the issue date to the deposit date, or if any fraction of less than one yen arises regarding the amount obtained by dividing the difference between par value and issue value by the number of years falling on the period from the issue date to the maturity date, the fraction is truncated.

(Exclusion from Application of Entrustment of Insurance Proceeds Trust Business)

Article 52-12 The business and acts to be specified by Cabinet Office Order, as provided in Article 22, paragraph (3), item (iii) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are as follows:

- (i) when the act of trust provides that the life insurance company, etc. carrying out insurance proceeds trust business, only upon the instruction from the settlors or beneficiaries (including any person delegated by the settlors or beneficiaries the authority to give instruction), conducts the business of disposition of the trust property or other acts as may be necessary for achieving the purpose of the trust, that business;
- (ii) when the act of trust provides that the party entrusted with trust business, only upon the instructions from the life insurance company, etc. carrying out insurance proceeds trust business (including any person delegated by the life insurance company, etc. carrying out insurance proceeds trust business the authority to give instructions), conducts the business of the disposition of the trust property entrusted or other acts as may be necessary for achieving the purpose of the trust, that business; and
- (iii) acts that have auxiliary functions for the performance of the business conducted by the life insurance company, etc. carrying out insurance proceeds trust business.

(Parties Closely Related to Life Insurance Company Carrying Out Insurance Proceeds Trust Business)

Article 52-12-2 (1) The companies to be specified by Cabinet Office Order, as provided in Article 13-5-2, paragraph (3) of the Cabinet Order, are the following corporation, etc. (meaning a corporation, etc. provided in the same paragraph; the same applies below); provided, however, that this does not apply to the case where the company is found as obviously not having control over the decision-making body (meaning the decision-making body provided in the same paragraph; the same applies in this paragraph) of other corporation, etc., in terms of the financial, operational or business relationship therewith:

- (i) a corporation, etc. which, on its own account, owns the majority of voting rights in another corporation, etc. (excluding another corporation, etc. which has been subject to an order commencing bankruptcy proceedings, an order commencing rehabilitation proceedings or an order commencing reorganization proceedings or any other corporation, etc. equivalent thereto, regarding which no effective parent-subsidiary relationship is found to exist; the same applies below in this paragraph);
- (ii) a corporation, etc. which, on its own account, owns not less than 40 percent

but not more than 50 percent of the voting rights in another corporation, etc., and which falls under any of the following requirements:

- (a) that the majority of the voting rights in the other corporation, etc. is constituted by the voting rights owned by the corporation, etc. on its own account as well as the voting rights held by any party having a close relationship with the corporation, etc. in terms of equity contribution, personnel affairs, funding, technology, business transactions, etc. and therefore is likely to exercise its voting rights in concert with the intention of the corporation, etc. and any party having consented to exercise the voting rights in concert with the intention of the corporation, etc.;
  - (b) that the majority of the members of the board of directors or any other equivalent organ of the other corporation, etc. is constituted by the officers, employees or executive members of the corporation, etc. or persons formerly in the positions, who may exert the influence on the other corporation, etc. in making decision on its financial policies and operational or business policies;
  - (c) that the corporation, etc. and the other corporation, etc. has entered into a contract or the like, which provides that the first-mentioned corporation, etc. takes control over significant decision on any important financial, operational or business policies of the other corporation, etc.;
  - (d) that the corporation, etc. has financed (including a provision of a guarantee of obligation and provision of collaterals; the same applies below in this Article) more than half of the total amount of funds procured by the other corporation, etc. (limited to the amount recorded in the liabilities section of the balance sheet) (including the cases where more than half of the total amount of the funds procured by the other corporation, etc. is financed by the corporation, etc. and the amount financed by a person with a close relationship with the corporation, etc. in terms of equity, personnel affairs, funding, technology, business transactions, etc.); or
  - (e) that there exists any other fact inferring that the corporation, etc. controls the decision-making body of the other corporation, etc.;
- (iii) the corporation, etc. which falls under any of the requirements stated in (b) through (e) of the preceding item, in the case where the majority of the voting rights in another corporation, etc. is constituted by the voting rights owned by the corporation, etc. on its own account as well as the voting rights owned by any party having a close relationship with the corporation, etc. in terms of equity, personnel affairs, funding, technology, business transactions, etc. and therefore is likely to exercise its voting rights in concert with the intention of the corporation, etc. and any party having consented to exercise the voting rights in concert with the intention of the corporation, etc. (including the case where the corporation, etc. does not own voting rights on

its own account).

(2) The companies to be specified by Cabinet Office Order as provided to in Article 13-5-2, paragraph (4) of the Cabinet Order are the following companies, etc.; provided, however, that this does not apply to the case where the corporation, etc. (including its subsidiary corporation, etc.) is found as obviously unable to exert any material influence on decision-making on operational business policies of other corporation, etc. excluding the subsidiary corporation, etc., in terms of the financial, operational or business relationship therewith:

- (i) the other corporation, etc. except for a subsidiary corporation, etc., when a corporation, etc. (including a subsidiary corporation, etc. of the corporation, etc.) owns, on its own account, 20 percent or more of the voting rights in the other corporation, etc. except for a subsidiary corporation, etc. (excluding another corporation, etc. except for a subsidiary corporation, etc. which has been subject to an order commencing bankruptcy proceedings, order commencing rehabilitation proceedings or order commencing reorganization proceedings, or another corporation, etc. except for a subsidiary corporation, etc. equivalent thereto, in which case the corporation, etc. is found as unable to exert any material influence on the decision on the financial policies and operational or business policies; the same applies below in this paragraph);
- (ii) the other corporation, etc. except for a subsidiary corporation, etc. which falls under any of the following requirements, in which case the corporation, etc. (including a subsidiary corporation, etc. of the corporation, etc.) owns, on its own account, 15 percent or more but less than 20 percent of the voting rights in another corporation, etc. except for a subsidiary corporation, etc.:
  - (a) that any officers, employees or executive members of the corporation, etc. or any person formerly in the position, in which case the corporation, etc. can exert its influence on decision of its financial policies and operational or business policies, has assumed the position of its representative director, officer or any other position equivalent thereto;
  - (b) that any important loan has been extended from the corporation, etc.;
  - (c) that any important technology is furnished from the corporation, etc.;
  - (d) that any important operational or business transactions such as distribution or supply have been entered into with the corporation, etc.;
  - (e) that there exists any other fact inferring that the corporation, etc. can exert material influence on the decision on its financial, operational or business policies; or
- (iii) the other corporation, etc. except for a subsidiary corporation, etc. which falls under any of the requirements stated in (a) through (e) of the preceding item, in the case where 20 percent or more of the voting rights in the other company except for a subsidiary corporation, etc. is constituted by the voting

rights held by the corporation, etc. (including a subsidiary corporation, etc. of the corporation, etc.) on its own account as well as the voting rights owned by any person having a close relationship with the corporation, etc. in terms of equity, personnel affairs, funding, technology, business transactions, etc. and therefore is likely to exercise the voting rights in concert with the intention of the corporation, etc. and the voting rights owned by any person having consented to exercise the voting rights in concert with the intention of the corporation, etc. (including the case where the corporation, etc. does not hold voting rights on its own account).

- (3) Notwithstanding the provisions of paragraph (1), the person specified by Cabinet Office Order as provided in Article 13-5-2, paragraph (3) of the Order concerning a person that prepares consolidated financial statements pursuant to the provisions of the Regulations on Consolidated Financial Statements instead of following the business accounting standards that are generally accepted as fair and appropriate prescribed in Article 1, paragraph (1) of the Regulations on Consolidated Financial Statements (referred to below as a "corporation, etc. subject to special business accounting standards, etc.") means a corporation, etc. that is treated under the business accounting standards adopted by it in the same manner as the corporation, etc. stated in the items of paragraph (1).
- (4) Notwithstanding the provisions of paragraph (2), the person specified by Cabinet Office Order, as provided in Article 13-5-2, paragraph (4) of the Order in relation to a corporation, etc. subject to special business accounting standards etc. is a corporation, etc. that is treated under the business accounting standards adopted by it in the same manner as the corporation, etc. stated in the items of paragraph (2).
- (5) Notwithstanding the provisions of paragraph (1), regarding a special purpose company, if the purpose of the incorporation is to entitle the owners of the securities it issues (including the creditors of the specific borrowing provided in Article 2, paragraph (12) (Definitions) of the Act on Securitization of Assets) to receive the profit generating from assets that have been transferred to the special purpose company at a fair value, and if the business of the company is properly implemented in compliance with that purpose, the special purpose company is regarded as being independent of the companies, etc. which transferred the assets to it (referred to below as the "transferor corporation, etc." in this paragraph), and is presumed not to fall under the category of a subsidiary corporation, etc. of the transferor corporation, etc.
- (6) The provisions of Article 13-5-2, paragraph (6) of the Cabinet Order apply mutatis mutandis to the voting rights provided in the items of paragraphs (1) and (2), when the provisions of Article 23, paragraph (2) (Liability of a Trust Company Pertaining to Entrustment of Trust Business) and Article 29,

paragraph (2), item (i) (Rules for Acts Pertaining to Trust Property) of the Trust Business Act are applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act.

(Rules for Acts Related to Acceptance of Trust)

Article 52-13 The acts to be specified by Cabinet Office Order, as provided in Article 24, paragraph (1), item (v) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are as follows:

- (i) to notify of, or to represent to, the settlor any misleading information as to any important matters concerning a trust agreement, which would give impact on the settlor's judgment;
- (ii) to conclude a trust agreement as a condition precedent to extending credit by itself or its interested parties (meaning the interested parties as provided in Article 29, paragraph (2), item (i) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act; the same applies below in this item, and also in Article 52-24, paragraph (2), item (iv) and paragraph (4) of the same Article), or to otherwise conclude a trust agreement by taking advantage of the dominant business position the party itself or its interested parties in an unfair manner; and
- (iii) any other activities in violation of laws and regulations.

(Specific Trust Agreement)

Article 52-13-2 The contracts to be specified by Cabinet Office Order, as provided in Article 24-2 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are the trust agreement stated in Article 30-2, paragraph (1), item (i) of the Order for Enforcement of the Trust Business Act (Cabinet Office Order No. 107 of 2004).

(Types of Contracts)

Article 52-13-3 The types of contracts to be specified by Cabinet Office Order, as provided in Article 34 of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 24-2 of the Trust Business Act as further applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act (referred to below as the "Financial Instruments and Exchange Act as Applied Mutatis Mutandis" in Article 52-13-5 through Article 52-13-24) are a specific trust agreement (meaning a specific trust agreement as provided in Article 24-2 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act; the same applies below in Article 52-13-7-2 through Article 52-13-24 (excluding Article 52-13-12, item (ii), (e))).

Article 52-13-4 Deleted

(Matters to Be Stated in Documents to Be Delivered to Professional Investors Who Made Request)

Article 52-13-5 The matters to be specified by Cabinet Office Order, as provided in Article 34-2, paragraph (3), item (iv) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are that the applicant (meaning the applicant provided in the same paragraph) is to be treated as a customer other than a professional investor (meaning a professional investor as provided in Article 2 (Definitions), paragraph (31) of the Financial Instruments and Exchange Act; the same applies below) regarding the subject contract (meaning the subject contract provided in Article 34-2, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in Article 52-13-7-2), only by the life insurance company, etc. carrying out insurance proceeds trust business which has given an approval pursuant to the provisions of Article 34-2, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis.

(Provision by Use of Information and Communications Technology)

Article 52-13-6 (1) The methods to be specified by Cabinet Office Order, as provided in Article 34-2, paragraph (4) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (including as applied mutatis mutandis pursuant to Article 34-3, paragraph (12) (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis), Article 34-4, paragraph (3) and Article 37-3, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies below in this Article), are the following methods:

(i) the methods using an electronic data processing system, as stated in the following items:

(a) to transmit information required to be stated in a document (referred to below as the "information" in this Article) via telecommunications line connecting the computers used by a life insurance company, etc. carrying out insurance proceeds trust business (including a party which, under the contract with a life insurance company, etc. carrying out insurance proceeds trust business which is the provider of information provided in Article 34-2, paragraph (4) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, stores files onto a computer it manages, and make the files accessible to the recipient party (referred to below as the "customers" in this Article) or to the financial instruments business operator, etc.; the same applies below in this Article) and the computers used by the customers, etc. (meaning a customer, or a party which, under a

contract with the customer, stores the customer file (meaning the file solely intended for the use by the customers; the same applies below in this Article) onto a computer it manages; the same applies below in this Article), and to record the information into the customer file stored onto the computer used by the customers, etc. (if the applicant acknowledges the provision of information by the method provided in the same paragraph or where the applicant notifies that the customers refuses to information by such means, the method whereby the acknowledgment or notice is recorded into a file stored on the computer used by the life insurance company, etc. carrying out insurance proceeds trust business which is the provider of the information provided in the same paragraph);

- (b) to make the information recorded into the files stored on a computer used by a life insurance company, etc. carrying out insurance proceeds trust business available for a customer's inspection via telecommunications line, and to record the information into the relevant customer's customer file stored on the computer used by the customer, etc. (or, if the applicant consents to the provision of information by the method provided in Article 34-2, paragraph (4) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, or if the applicant notifies to the effect that the applicant refuses to receive information by such means, to record the consent or notice into a file stored on the computer used by the life insurance company, etc. carrying out insurance proceeds trust business);
  - (c) to make the information recorded into the customer files stored on the computer used by a life insurance company, etc. carrying out insurance proceeds trust business available for a customer's inspection via telecommunications line;
  - (d) to make the information recorded into the inspection file (meaning a file stored on a computer used by a life insurance company, etc. carrying out insurance proceeds trust business with which to record the information for making them accessible by multiple customers at the same time; the same applies below in this Article) available for a customer's inspection via telecommunications line; and
  - (ii) to deliver the file storing the information, which is prepared with any object enabling secure storage of certain information through magnetic disks, CD-ROMs or any other means equivalent thereto.
- (2) The methods as stated in the items of the preceding paragraph must be in conformity with the following requirements:
- (i) that the method enables a customer to prepare a document by way of outputting information recorded into the customer file or inspection file;
  - (ii) regarding the method stated in item (i), (a), (c) or (d) of the preceding paragraph (excluding the method to record the information into the customer

file stored on a computer used by a customer), that the customer is informed of the fact that the information will be or have been recorded into the customer file or the inspection file; provided, however, that this does not apply to the cases where the customer is confirmed as having inspected the information;

(iii) regarding the method stated in item (i), (c) or (d) of the preceding paragraph, that the following matters cannot be deleted or altered for the period until the fifth anniversary of the last date of consummation of the transaction referred to in the information (if any complaint on the information has been raised within the period before the expiration date of the period, for the period until either the expiration date of the period or the day when the complaint was resolved, whichever comes later); provided, however, that the information may be deleted if the information offered for inspection are delivered in writing, the information are provided by the methods stated in (a) or (b) of that item or in item (ii) of that paragraph with the customer's consent (meaning consent given by the method provided in Article 13-5-3 of the Cabinet Order), or the customer has instructed the deletion of the information:

(a) regarding the method stated in item (i), (c) of the preceding paragraph, the information recorded in the customer file;

(b) regarding the method stated in item (i), (d) of the preceding paragraph, the information recorded in the inspection file;

(iv) regarding the method stated in item (i), (d) of the preceding paragraph, that it conforms to the following requirements:

(a) that information necessary for a customer's inspection of the inspection file is recorded into the customer file; and

(b) that, before the elapse of the period provided in the preceding item, the customer file recording the information necessary for the customer's inspection of the inspection file pursuant to (a) and the inspection file are kept connectible via telecommunications line; provided, however, that this does not apply to the cases where the customer who has been given access to the files has notified to the effect that such connectibility need not be maintained.

(3) The term "electronic data processing system" as used in paragraph (1), item (i) means an electronic data processing system connecting a computer used by a life insurance company, etc. carrying out insurance proceeds trust business and a computer storing customer files used by a customer, etc. or life insurance company, etc. carrying out insurance proceeds trust business, via telecommunications line.

(Types and Details of Electronic or Magnetic Means)

Article 52-13-7 The types and details of the methods to be specified as provided in Article 13-5-3, paragraph (1) and Article 13-5-4, paragraph (1) of the Cabinet Order are as follows:

- (i) the methods stated in the items of paragraph (1) of the preceding Article or the items of Article 52-13-7-3, paragraph (1), which are to be used by the life insurance company, etc. carrying out insurance proceeds trust business; and
- (ii) the format for recording information into a file.

(Matters to Be Stated in Document Indicating Consent by Applicant for Reinstatement as a Professional Investor)

Article 52-13-7-2 The matters to be specified by Cabinet Office Order, as provided in Article 34-2, paragraph (11) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are those listed in the following items:

- (i) the day on which the acceptance under Article 34-2, paragraph (11) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis is given (such date is referred to as the "date of acceptance" in items (iv) and (v));
- (ii) the fact that the subject contract is a specific trust agreement;
- (iii) the fact that the applicant for reinstatement (meaning the applicant for reinstatement provided in Article 34-2, paragraph (11) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in this Article) understands the following facts:
  - (a) the fact that the provisions stated in the items (excluding the items (iii) and (iv)) of Article 45 of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis do not apply to the cases where the applicant for reinstatement falls under any of the persons respectively specified in those items regarding the subject contract (excluding the case provided in the proviso of the same Article);
  - (b) the risk of insufficient protection involved in a case where a person who, in light of the person's knowledge, experience and state of property, is deemed inappropriate to be treated as a professional investor regarding subject contracts is treated as a professional investor;
- (iv) a statement to the effect that the applicant for reinstatement is to be treated once again as a professional investor when soliciting the applicant for reinstatement to conclude, or concluding with the applicant for reinstatement the subject contract on or after the date of acceptance; and
- (v) the fact that the applicant for reinstatement may submit a request pursuant to Article 34-2, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, at any time on or after the date of acceptance.

(Obtaining Consent by Use of Information and Communication Technology)

Article 52-13-7-3 (1) The methods to be specified by Cabinet Office Order, as provided in Article 34-2, paragraph (12) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (including the cases where applied mutatis mutandis pursuant to Article 34-3, paragraph (3) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis); the same applies below in this Article), are as follows:

(i) the methods using an electronic data processing system, as stated in the following:

(a) to transmit information via telecommunications line connected between a computer used by a life insurance company, etc. carrying out insurance proceeds trust business and that used by the other party from whom it seeks consent pursuant to Article 34-2, paragraph (12) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (referred to below as the "customer" in this Article), and to record the information in a file stored on a computer used by the recipient;

(b) to make information related to a customer's consent recorded into a file stored on a computer used by a life insurance company, etc. carrying out insurance proceeds trust business available for the customer's inspection via telecommunications line, and to record information related to the customer's consent into a file stored on a computer used by the life insurance company, etc. carrying out insurance proceeds trust business;

(ii) to obtain the file storing the information related to the consent, which is prepared with any object enabling secure storage of certain information through magnetic disks, CD-ROMs or any other equivalent means.

(2) The methods stated in the items of the preceding paragraph must be the methods enabling a life insurance company, etc. carrying out insurance proceeds trust business to prepare a document by way of outputting the information recorded into the file.

(3) The term "electronic data processing system" as used in paragraph (1), item (i) means an electronic data processing system connecting a computer used by a life insurance company, etc. carrying out insurance proceeds trust business and a computer used by a customer, via telecommunications line.

(Expiration Date When Corporation Which Is Customer Other Than Professional Investor Is Deemed to Be Professional Investor)

Article 52-13-8 (1) The case to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2) of the Financial Instruments and Exchange Act

as Applied Mutatis Mutandis, is the case where a life insurance company, etc. carrying out insurance proceeds trust business has designated a certain date and publicized the following matters by posting them at a place easily accessible to the public at its business office or any other office, or by any other appropriate means:

- (i) that designated date; and
  - (ii) to the effect that the day provided in the following paragraph is the expiration date (meaning the expiration date provided in Article 34-3, paragraph (2), item (ii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in paragraph (2), item (i) of the following Article and Article 52-13-10).
- (2) The date to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, is the date designated by the life insurance company, etc. carrying out insurance proceeds trust business pursuant to the provisions of the preceding paragraph, which is the latest of the days prior to the first anniversary of the date of acceptance (meaning the date of acceptance provided in Article 34-3, paragraph (2), item (i); the same applies in paragraph (2), item (iii) of the following Article and Article 52-13-10).

(Matters to Be Specified in Documents Indicating Consent by a Corporation Which Is a Customer Other Than Professional Investors That Made a Request)

- Article 52-13-9 (1) The matters to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2), item (iv), (a) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are the fact that the provisions stated in the items (excluding the items (iii) and (iv)) of Article 45 of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis do not apply to the cases where the applicant (meaning the applicant provided in Article 34-3, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in the following paragraph) falls under any of the persons respectively prescribed in those items regarding the subject contract (meaning the subject contract provided in Article 34-3, paragraph (2), item (ii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in the following paragraph and Article 52-13-10-2).
- (2) The matters to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2), item (vii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:
- (i) that, in regard to any act related to the subject contract concluded on or prior to the expiration date, which is to be conducted pursuant to the

provisions of laws and regulations or the contract, the applicant is treated as a professional investor, even in the cases where the act is conducted after the expiration date;

- (ii) that the applicant will be treated as a professional investor regarding the subject contract, only by the life insurance company, etc. carrying out insurance proceeds trust business which has accepted the request pursuant to the provisions of Article 34-3, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis;
- (iii) the fact that the applicant may submit a request pursuant to Article 34-3, paragraph (9) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, at any time on or after the date of acceptance.

(Period Required to Be Elapsed Before a Corporation, Which Is a Customer Other Than Professional Investors That Made a Request, Makes a Request for Renewal)

Article 52-13-10 (1) The period to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (7) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, is 11 months (or, if any of the following items applies, the periods specified in each item):

- (i) if the period from the date of acceptance to the expiration date is less than one year (excluding the case stated in the following item), a period deducting one month from the period; or
  - (ii) if the period from the date of acceptance to the expiration date is one month or less, one day.
- (2) For the purpose of application of the preceding paragraph in the case provided in Article 34-3, paragraph (8) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, the "date of acceptance" in the items of the preceding paragraph is deemed to be replaced with "the day following the previous expiration date".

(Matters to Be Specified in Documents to Be Delivered to a Corporation Which Made Request for Reinstatement as a Customer Other Than Professional Investors)

Article 52-13-10-2 The matters to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (11) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:

- (i) the date on which the request is accepted pursuant to Article 34-3, paragraph (10) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (this date is referred to as "the date of acceptance" in item (iii));
- (ii) the fact that the subject contract is a specific trust agreement; and

- (iii) a statement to the effect that the corporation who submitted a request under Article 34-3, paragraph (9) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis is to be treated once again as a customer other than professional investor when soliciting the corporation to conclude, or concluding with the corporation, the subject contract on or after the date of acceptance.

(Proprietors Who May Make Request Treatment as Professional Investor)

Article 52-13-11 (1) The excluded individual to be specified by Cabinet Office Order, as provided in Article 34-4, paragraph (1), item (i) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are those who satisfy any of the following requirements:

- (i) that the consent from all of the silent partners on making a request under Article 34-4, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis has not been obtained; or
  - (ii) that the total amount of the equity investment under the executed silent partnership contract provided in Article 535 of the Commercial Code (Silent Partnership Contract) is less than 300 million yen.
- (2) The individuals to be specified by Cabinet Office Order, as provided in Article 34-4, paragraph (1), item (i) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:
- (i) an individual who has concluded a partnership contract provided in Article 667, paragraph (1) (Partnership Contract) of the Civil Code and has become a partner appointed to execute the business of the partnership (limited to an individual who satisfies all of the following requirements):
    - (a) that the individual has obtained the consent from all of the other partners on making a request under Article 34-4, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis;
    - (b) that the total amount of the equity investment under the partnership contract is not less than 300 million yen;
  - (ii) an individual who has concluded a limited liability partnership agreement provided in Article 3, paragraph (1) of the Limited Liability Partnership Act (Act No. 40 of 2005), participates in the decision-making on the execution of the important business of the partnership, and is a partner personally executing the business (limited to an individual who satisfies all of the following requirements):
    - (a) that the individual has obtained the consent from all of the other partners on making a request under Article 34-4, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; and
    - (b) that the total amount of the equity investment under the limited liability partnership agreement is 300 million yen or more.

(Individual Who May Request Treatment as Professional Investor)

Article 52-13-12 The requirement to be specified by Cabinet Office Order, as provided in Article 34-4, paragraph (1), item (ii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, is to fall under all of the following:

- (i) that, judging reasonably from the status of the transactions or any other circumstances, the total amount of the assets of the applicant (meaning the applicant provided in Article 34-4, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies below in this Article and Article 52-13-14) as of the date of acceptance (meaning the date of acceptance provided in Article 34-3, paragraph (2), item (i) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in the following item, paragraph (2) of the following Article, Article 52-13-14, paragraph (2), item (iii) and Article 52-13-14-2), less the total amount of its liabilities as of that date is estimated to be 300 million yen or more;
- (ii) that, judging reasonably from the status of the transactions or any other circumstances, the total amount of the applicant's assets (limited to the assets stated in the following) as of the date of acceptance is estimated to be 300 million yen or more:
  - (a) securities (excluding the securities stated in item (e) and item (f) (limited to those concluded with the special enterprise operator prescribed in Article 2, paragraph (9) of the Act on Specified Joint Real Estate Ventures (Act No. 77 of 1994)) and the securities that fall under the category stated in (h));
  - (b) rights related to a derivatives transaction (meaning a derivatives transaction as provided in Article 2, paragraph (20) of the Financial Instruments and Exchange Act; the same applies in Article 52-20, paragraph (1), item (iv), Article 52-32, item (ii), Article 59-2, paragraph (1), item (v), (e), 3. and Article 87, item (iii), (d));
  - (c) specified deposits, etc. as provided in Article 11-5 of the Agricultural Cooperatives Act, specified deposits, etc. as provided in Article 11-11 of the Fishery Cooperatives Act, specified deposits, etc. as provided in Article 6-5-11, paragraph (1) of the Act on Financial Businesses by Cooperative, specified deposits, etc. as provided in Article 89-2, paragraph (1) of the Shinkin Bank Act, specified deposits, etc. as provided in Article 17-2 of the Long Term Credit Bank Act, specified deposits, etc. as provided in Article 94-2 of the Labor Bank Act, specified deposits, etc. as provided in Article

- 13-4 of the Banking Act, specified deposits, etc. as provided in Article 59-3 of the Norinchukin Bank Act and specified deposits, etc. as provided in Article 29 of the Shoko Chukin Bank Limited Act (Act No. 74 of 2007);
- (d) the rights related to benefits such as insurance proceeds, mutual aid benefits and refunds payable under a specified insurance contract (meaning a specified insurance contract provided in Article 300-2 of the Act; the same applies below), a specified mutual aid contract as provided in Article 11-27 of the Agricultural Cooperatives Act, a specified mutual aid contract as provided in Article 12-3, paragraph (1) of the Consumer Cooperatives Act (Act No. 200 of 1948), a specific mutual aid contract as provided in Article 15-12 of the Fisheries Cooperatives Act, and a specified mutual aid contract as provided in Article 9-7-5, paragraph (2) of the Small and Medium-Sized Enterprise Cooperatives Act;
- (e) beneficial interest in a trust under a specific trust agreement as provided in Article 24-2 of the Trust Business Act (excluding beneficial interest in a trust that falls under the category stated in (h));
- (f) rights under a specified joint real estate venture contract as provided in Article 2, paragraph (3) of the Act on Specified Joint Real Estate Ventures;
- (g) rights related to transactions on a commodity market (meaning the transaction on a commodity market as prescribed in Article 2, paragraph (10) of the Commodity Futures Act; the same applies in Article 52-32, item (iii)), foreign commodity market transactions (meaning the foreign commodity market transactions as prescribed in Article 2, paragraph (13) of that Act; the same applies in that item) and over-the-counter commodity derivative transactions (meaning the over-the-counter commodity derivative transactions as prescribed in paragraph (14) of that Article; the same applies in that item);
- (h) the electronic payment instruments stated in the items of Article 43 of the Cabinet Office Order on Electronic Payment Instruments Service Providers (Cabinet Office Order No. 48 of 2023); and
- (iii) that one year has passed from the day when the applicant, for the first time, concluded a specific trust agreement with the life insurance company, etc. carrying out insurance proceeds trust business.

(Expiration Date of Period When Individual Who Is Customer Other Than Professional Investor Is Deemed to Be Professional Investor)

Article 52-13-13 (1) The case to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, is the case where a life insurance company, etc. carrying

out insurance proceeds trust business has designated a certain date and publicized the following matters by posting them at a place easily accessible to the public at its business office or any other office, or by any other appropriate means:

- (i) that designated date; and
  - (ii) to the effect that the day provided in the following paragraph is the expiration date (meaning the expiration date provided in Article 34-3, paragraph (2), item (ii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in paragraph (2), item (i) of the following Article and Article 52-13-14-2).
- (2) The date to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, is the date designated by the life insurance company, etc. carrying out insurance proceeds trust business pursuant to the provisions of the preceding paragraph, which is the latest of the days prior to the first anniversary of the date of acceptance.

(Matters to Be Stated in Document Indicating Consent by an Individual Who Is a Customer Other Than Professional Investors That Made a Request)

- Article 52-13-14 (1) The matters to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2), item (iv), (a) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are the fact that the provisions stated in the items (excluding the items (iii) and (iv)) of Article 45 of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis do not apply to the cases where the applicant falls under any of the persons prescribed respectively in those items in regard to the subject contract (meaning the subject contract provided in Article 34-3, paragraph (2), item (ii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; the same applies in the following paragraph and Article 52-13-14-3).
- (2) The matters to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (2), item (vii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:
- (i) that, regarding any activities conducted pursuant to the provisions of laws and regulations or the contract in connection with the subject contract

concluded on or prior to the expiration date, the applicant is treated as a professional investor, even in the cases where the activity is conducted after the expiration date;

- (ii) that the applicant is to be treated as a professional investor in regard to the subject contract, only by the life insurance company, etc. carrying out insurance proceeds trust business which has given an approval pursuant to the provisions of Article 34-3, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis; and
- (iii) that the applicant may make a request under Article 34-4, paragraph (4) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis at any time after the date of acceptance.

(Period Required to Be Elapsed before an Individual, Who Is a Customer Other Than Professional Investors That Made a Request, Makes a Request for Renewal)

Article 52-13-14-2 (1) The period to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (7) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, is 11 months (or, if any of the following items applies, the periods specified in each item):

- (i) if the period from the date of acceptance to the expiration date is less than one year (excluding the case stated in the following item), a period deducting one month from the period; or
  - (ii) if the period from the date of acceptance to the expiration date is one month or less, one day.
- (2) For the purpose of application of the preceding paragraph in the case provided in Article 34-3, paragraph (8) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, the "date of acceptance" in the items of the preceding paragraph is deemed to be replaced with "the day following the previous expiration date".

(Matters to Be Specified in Documents to Be Delivered to an Individual Which Made a Request for Reinstatement as a Customer Other Than Professional Investors)

Article 52-13-14-3 The matters to be specified by Cabinet Office Order, as provided in Article 34-3, paragraph (11) of the Financial Instruments and

Exchange Act as Applied Mutatis Mutandis as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:

- (i) the date on which the request is accepted pursuant to Article 34-4, paragraph (5) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (this date is referred to as "the date of acceptance" in item (iii));
- (ii) the fact that the subject contract is a specific trust agreement; and
- (iii) a statement to the effect that the individual who submitted a request under Article 34-4, paragraph (4) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis is to be treated once again as a customer other than professional investor when soliciting the individual to conclude, or concluding with the individual, the subject contract on or after the date of acceptance.

(Acts Similar to Advertising)

Article 52-13-15 The acts to be specified by Cabinet Office Order, as provided in the paragraphs of Article 37 of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are the provision of identical information to many persons, by such means as postal mail, correspondence delivery service (meaning a correspondence delivery service as provided in Article 2, paragraph (2) of the Act on Correspondence Delivery by Private Business Operators (Act No. 99 of 2002) that is provided by a general correspondence delivery operator as provided in paragraph (6) of the same Article or by a specified correspondence delivery operator as provided in paragraph (9) of the same Article; the same applies in Article 234-15), transmission by facsimile devices, transmission by electronic mails (meaning the electronic mail provided in Article 2, item (i) of the Act on Regulations of Transmission of Specified Electronic Mail (Act No. 26 of 2002); the same applies in Article 234-15), or distribution of leaflets or pamphlets (excluding those stated in the following):

- (i) distribution of documents prepared in accordance with laws or regulations, or in accordance with the dispositions rendered by administrative agencies under the laws and regulations;
- (ii) distribution of materials on the analysis and assessment of the respective companies which are not intended to be used for solicitation for the conclusion of a specific trust agreement;
- (iii) provision of premiums or any other goods only indicating all of the following information (limited to premiums or goods clearly and accurately indicating the information stated in (b) through (d)) (if any of the following information is not indicated on the premiums or other goods, the provision includes the case of provision of the premiums or other goods incorporating

other goods indicating that information as their integral part):

- (a) the names of the instruments (including commonly known names);
- (b) the trade name, name or alias of the life insurance company, etc. carrying out insurance proceeds trust business which provides identical information to many persons by the means provided in this item;
- (c) the matters stated in Article 13-5-5, paragraph (2), item (i) of the Cabinet Order and the matters stated in Article 52-13-18, item (ii) (limited to the case where the letters or numbers representing those matters are indicated in a size not substantially differing from the size of the largest letters or numbers representing matters other than those matters);
- (d) a notice indicating that the recipient of the notice is to read any of the following documents comprehensively:
  - 1. the document provided in Article 37-3, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (referred to below as the "document for delivery prior to conclusion of contract" in this Article through Article 52-13-24);
  - 2. the prospectus provided in Article 52-13-22, paragraph (1), item (ii) (if there is any document to be delivered as an integral part of the prospectus pursuant to the provisions of that item, the prospectus and the document); and
  - 3. the explanatory document on amendment to contract terms provided in Article 52-13-22, paragraph (1), item (iii), (b).

(Method of Presentation of Advertisement, etc. on Details of Conclusion Service of Specific Trust Agreement)

- Article 52-13-16 (1) When a life insurance company, etc. carrying out insurance proceeds trust business intends to make an advertisement or to conduct any other acts provided in the preceding Article (referred to below as an "advertisement, etc." in this Chapter) regarding the details of its conclusion service of specific trust agreement, it must clearly and accurately indicate the matters stated in the items of Article 37, paragraph (1) (excluding item (ii)) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis.
- (2) When a life insurance company, etc. carrying out insurance proceeds trust business intends to make an advertisement, etc. regarding the details of its conclusion service of specific trust agreement, it is to indicate the letters or numbers representing the matters stated in Article 13-5-5, paragraph (1), item (ii) and Article 52-13-18, item (ii) of the Cabinet Order in a size not substantially differing from the size of the largest letters or numbers representing the matters other than those matters.
- (3) Notwithstanding the provisions of the preceding paragraph, when a life insurance company, etc. carrying out insurance proceeds trust business intends

to advertise the details of its conclusion service of specific trust agreement by broadcasting by the broadcasting facilities of a private broadcaster (meaning the private broadcaster provided in Article 2, item (iii)-2 of the Broadcast Act (Act No. 132 of 1950); the same applies in Article 52-13-19, paragraph (1), item (ii), Article 234-16, paragraph (3) and Article 234-19, paragraph (1), item (ii)) or by any of the means stated in the items of Article 52-13-19, paragraph (1) (excluding the means of sound broadcasting), it is to indicate the letters or numbers representing the matters stated in Article 13-5-5, paragraph (2), item (i) and Article 52-13-18, item (ii) of the Cabinet Order in a size not substantially differing from the size of the largest letters or numbers representing the matters other than those matters.

(Matters Related to Consideration Payable by Customers)

Article 52-13-17 (1) The matters to be specified by Cabinet Office Order, as provided in Article 13-5-5, paragraph (1), item (i) of the Cabinet Order, are the amount of the consideration payable by customers in relation to a specific trust agreement irrespective of its name such as fees, remuneration, expenses or others (referred to as "fees, etc." in the following paragraph and Article 52-13-20, item (iv)), itemized by the types of the consideration or the upper limit, or the outline of the calculation formula (including the ratio to the value of the trust properties under the specific trust agreement, or the ratio to the profit generating from the conclusion of the specific trust agreement; the same applies below in this paragraph) as well as the amounts; provided, however, that if it is impossible to present these details, that fact and the reason are stated.

(2) When the investment of trust properties related to the specific trust agreement is to be carried out by the acquisition of investment trust beneficial interests, etc. (meaning the rights to be indicated on the securities as stated in Article 2, paragraph (1), item (x) or (xi) of the Financial Instruments and Exchange Act, or the rights stated in paragraph (2), item (v) or (vi) of the same Article; the same applies below in this Article), the fees, etc. referred to in the preceding paragraph are to include a trust fee and any other fees, etc. related to the investment trust beneficial interests, etc.

(3) When the property related to the investment trust beneficial interests, etc. referred to in the preceding paragraph are to be invested or contributed in another investment trust beneficial interests, etc., the other investment trust beneficial interests, etc. are deemed to be the investment trust beneficial interests, etc. referred to in the preceding paragraph, and the provisions of the preceding two paragraphs apply.

(4) The provisions of the preceding paragraph apply mutatis mutandis to cases where the property related to the investment trust beneficial interests, etc.

which is deemed to be the investment trust beneficial interests, etc. pursuant to the provisions of the same paragraph (including as applied mutatis mutandis pursuant to this paragraph) is to be invested or contributed in another investment trust beneficial interests, etc.

(Important Matters Which May Have Impact on Customers' Decision)

Article 52-13-18 The matters to be specified by Cabinet Office Order, as provided in Article 13-5-5, paragraph (1), item (iii) of the Cabinet Order, are the following matters:

- (i) facts regarding important matters concerning the relevant specific trust agreement that are disadvantageous to customers;
- (ii) in the case of making an advertisement, etc. in regard to a specific trust agreement for a trust of securities related to crypto- and other asset (meaning a trust for managing or disposing trust property mainly comprising securities related to crypto- and other asset (meaning the securities related to crypto- and other asset prescribed in Article 146-3, paragraph (2) of the Cabinet Office Order on Financial Instruments Business; the same applies below)), the following matters:
  - (a) the fact that crypto- and other assets are not the Japanese currency or a foreign currency; and
  - (b) the fact that crypto- and other assets can be used for paying consideration only with the consent of the person who receives payment of consideration.

(Method Equivalent to Broadcasting Using Broadcasting Facilities of Private Broadcaster)

Article 52-13-19 (1) The methods to be specified by Cabinet Office Order, as provided in Article 13-5-5, paragraph (2) of the Cabinet Order, are as follows:

- (i) to broadcast using the broadcasting facilities of any of the following persons:
  - (a) cable television broadcaster (meaning the cable television broadcaster prescribed in Article 2, paragraph (4) of the Cable Television Broadcast Act (Act No. 114 of 1972); the same applies in Article 270, paragraph (1), item (i), (a));
  - (b) a person engaged in the business of cable radio broadcasting (meaning cable radio broadcasting as prescribed in Article 2 of the Act on Regulations on Cable Radio Broadcasting Services (Act No. 135 of 1951); the same applies in Article 270, paragraph (1), item (i), (b)); or
  - (c) a person engaged in the business of broadcast on telecommunications (meaning broadcast on telecommunications as prescribed in Article 2, paragraph (1) of the Act on Broadcast on Telecommunications (Act No. 85 of 2001); the same applies in Article 270, paragraph (1), item (i), (c));
- (ii) to make available for the customer's inspection the details of the

- information recorded into the files stored on the computer used by a life insurance company, etc. carrying out insurance proceeds trust business or by a person who has been entrusted with the service of an advertisement, etc. to be carried out by the life insurance company, etc. carrying out insurance proceeds trust business (limited to information identical to that provided by broadcasting using the broadcasting facilities of a private broadcaster or by the means stated in the preceding item) via telecommunications line; or
- (iii) to expose to the public an indoor or outdoor advertisement regularly or continuously for a fixed period, by posting or indicating it on signboards, standing signboards, bills, notices, advertising towers, billboards, buildings or any other structures, or any other methods similar thereto.
- (2) The matters to be specified by Cabinet Office Order, as provided in Article 13-5-5, paragraph (2), item (ii) of the Cabinet Order, are the matters stated in Article 52-13-15, item (iii), (d) and item (ii) of the preceding Article.

(Matters Prohibited from Misleading Advertisement)

Article 52-13-20 The matters to be specified by Cabinet Office Order, as provided in Article 37, paragraph (2) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:

- (i) the matters related to cancellation of a specific trust agreement;
- (ii) the matters related to the sharing of all or part of the losses or a guarantee of profit, in connection with a specific trust agreement;
- (iii) the matters related to agreement for liquidated damages (including penalties) related to the specific trust agreement;
- (iv) the matters related to the amount of the fees, etc. payable by customers in connection with a specific trust agreement or the method of calculation for those fees, etc., and the method and timing of the payment of those fees, etc. and the payee of those fees, etc.
- (v) in the case of making an advertisement, etc. in regard to a specific trust agreement for electronically recorded transferable rights to be indicated on securities, etc. (meaning the electronically recorded transferable rights to be indicated on securities, etc. prescribed in Article 1, paragraph (4), item (xvii) of the Cabinet Office Order on Financial Instruments Business; the same applies below), the following matters:
  - (a) the nature of the electronically recorded transferable rights to be indicated on securities, etc.;
  - (b) the matters related to the mechanism for the holding and transfer of the electronically recorded transferable rights to be indicated on securities, etc.;
- (vi) in the case of making an advertisement, etc. in regard to a specific trust agreement for a trust of securities related to crypto- and other assets, the

following matters:

- (a) the nature of the crypto- and other assets;
- (b) the matters related to the mechanism for the holding and transfer of the crypto-and other assets;
- (c) the matters related to changes in transaction volumes or prices of the crypto-and other assets or prospects for these;
- (d) the matters related to the content of the rights and obligations indicated on the crypto- and other assets; and
- (e) the matters related to the financial resources or credit of the person who issues or intends to issue the crypto- and other assets, the debtor related to the rights indicated on the crypto- and other assets, or the person who can exert a material impact on the value or the mechanism of the crypto- and other assets, or the business conducted by the person.

(Method of Statement of Document for Delivery Prior to Conclusion of Contract)

- Article 52-13-21 (1) The matters stated in the items of Article 37-3, paragraph (1) (excluding items (ii) through (iv) and item (vi)) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis must be stated unambiguously and accurately in the document for delivery prior to conclusion of contract by using letters, characters and numerals larger than 8-point as provided in JIS Z8305 of the Japanese Industrial Standards under the Industrial Standardization Act (Act No. 185 of 1949) (referred to below as the "JIS").
- (2) Notwithstanding the provisions of the preceding paragraph, the matters stated in Article 37-3, paragraph (1), item (v) and Article 52-13-23, paragraph (1), item (viii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis are to be stated unambiguously and accurately after the matters required to be provided in the following paragraph in the frame of the document for delivery prior to conclusion of contract by using letters, characters and numerals larger than 12-point as provided in the JIS Z8305.
- (3) A life insurance company, etc. carrying out insurance proceeds trust business is to, when preparing the document for delivery prior to conclusion of contract, state plainly the matter stated in Article 52-13-23, paragraph (1), item (i) and items of Article 37-3, paragraph (1) (excluding items (ii) through (iv) and item (vi) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis), and particularly important matters that may have an impact on customers' judgment among the matters stated in the items of Article 37-3, paragraph (1) of the Act at the beginning of the document for delivery prior to conclusion of contract by using letters, characters and numerals larger than 12-point as provided in the JIS Z8305.

(Exemption from Requirement of Delivery of Document for Delivery Prior to Conclusion of Contract)

Article 52-13-22 (1) The cases to be specified by Cabinet Office Order, as provided in the proviso to Article 37-3, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:

- (i) the case where the specific trust agreement with the identical terms and conditions had been concluded with a customer in the past, and where, pursuant to the provisions of Article 37-3, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, the document for delivery prior to conclusion of contract related to the specific trust agreement had been delivered to the customer (limited to the case where the customer has manifested the intension that delivery of the document for delivery prior to conclusion of contract is not necessary);
- (ii) if the customer has been provided a prospectus (meaning a prospectus as provided in Article 2, paragraph (10) (Definitions) of the Financial Instruments and Exchange Act; and limited to a prospectus containing all of the matters to be stated in the document for delivery prior to conclusion of contract, as prepared in accordance with the methods equivalent to those provided in the preceding Article) (if the prospectus (meaning a prospectus as provided in the same paragraph) does not contain all of the matters, including the cases where a document stating all of the matters not contained in that document has been delivered as an integral part of that prospectus), or in the cases stated in Article 15, paragraph (2), item (ii) (Prohibition of Transactions of Securities and Delivery of Prospectus Before Effectuation of Notifications) of that Act;
- (iii) where the life insurance company, etc. carrying out insurance proceeds trust business intends to conclude a specific trust agreement for the purpose of effecting a partial change to any term of a specific trust agreement already in effect, the following cases:
  - (a) where the partial change does not result in a change to the matters to be stated in the document for delivery prior to conclusion of contract related to the specific trust agreement already in effect;
  - (b) if the partial change results in a change to the matters to be stated in the document for delivery prior to conclusion of contract related to the specific trust agreement already in effect, the cases where the life insurance company, etc. carrying out insurance proceeds trust business has delivered to the customer a document stating the matters subject to the change (referred to below as the "explanatory document on amendment to contract terms" in the following item, the following paragraph and Article 52-13-24, item (ii), (c));
- (iv) when the provision, etc. of important information in a simple manner has

been conducted and explanations have been given to a customer on the matters stated in Article 37-3, paragraph (1), items (v) and (vii) of the Financial Instruments and Exchange Act as applied *mutatis mutandis* (in the cases specified in item (iii), (b), limited to the matters related to the change as prescribed in that item), in a manner and to the extent necessary for ensuring that the customer understands the matters, in light of the customer's knowledge, experience, and conditions of property and in light of the purpose of concluding the specified trust contract (when the matters to be stated in a document for delivery prior to conclusion of contract (in the cases as prescribed in item (iii), (b), a document for delivery prior to conclusion of contract or explanatory document on changes to contract information; the same applies below in this item, and paragraph (3), items (ii) and (iii)) are provided to the relevant customer by using an electronic data processing system in a manner that makes them available for customers' inspection, excluding the cases where the customer requests delivery of the document for delivery prior to conclusion of contract only where the following requirements are fully satisfied):

- (a) matters to be stated in the document for delivery prior to conclusion of contract have been displayed in an easily visible location for the customer, on the screen of a computer used by the customer in accordance with the method prescribed in the preceding Article (excluding the cases where the manner to make them available for customers' inspection conforms to the standards stated in Article 52-13-6, paragraph (2), item (i)); and
  - (b) measures are taken to keep the matters to be stated in the document for delivery prior to conclusion of contract easily available for the customer's inspection for five years after the day of the last transaction stated in the relevant matters to be contained (if a complaint related to those matters is made prior to the last day of that period, until the last day of the period or the day when the complaint is resolved, whichever comes later).
- (2) The provisions of Article 34-2, paragraph (4) of the Financial Instruments and Exchange Act as applied *mutatis mutandis*, Article 13-5-3 of the Cabinet Order, and Articles 52-13-6 and 52-13-7 of these Regulations apply *mutatis mutandis* to delivery of a document provided in item (ii) of the preceding paragraph under that item, as well as to delivery of explanatory document on amendment to contract terms under item (iii), (b) of that paragraph.
- (3) The term "provision, etc. of important information in a simple manner" in paragraph (1), item (iv) means to deliver a document stating the following matters in a simple manner or to provide the matters to be stated in the document by means stated in the items of Article 52-13-6, paragraph (1) in order to give explanation on these matters (including to reply to customers' questions based on the examples of questions as referred to in item (i)):

- (i) outline of major matters stated in the items (excluding items (ii) through (iv) and item (vi)) of Article 37-3, paragraph (1) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (in the cases provided in paragraph (1), item (iii), (b), limited to the matters related to the change as referred to in that item) that contribute to the decision of customers on conclusion of a specific trust agreement and examples of questions related to it;
- (ii) the fact that information necessary to receive provision of matters to be stated in the document for delivery prior to conclusion of contract and the details of the matters to be provided is to be read comprehensively; and
- (iii) the fact that a document for delivery prior to conclusion of contract will be delivered at the request of a customer.

(Matters to Be Stated in Document for Delivery Prior to Conclusion of Contract)

Article 52-13-23 (1) The matters to be specified by Cabinet Office Order, as provided to in Article 37-3, paragraph (1), item (vii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:

- (i) a notice indicating that the recipient of the document for delivery prior to conclusion of contract is to read the details of the notice comprehensively;
- (ii) the matters related to risk of loss;
- (iii) if a contract for compensation of principal or supplementation of profit under Article 6 of the Act on Engagement in Trust Business by Financial Institutions as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act is to be concluded, the percentage and any other information relevant to the contract;
- (iv) the matters related to procedures to transfer beneficial interest in the trust;
- (v) if the transfer of beneficial interest in the trust is restricted, that fact as well as the details of that restriction; and
- (vi) if, in connection with the following matters, any special provisions are to be provided, the matters related to those provisions:
  - (a) handling of insurance proceeds trust business, if there are two or more trustees;
  - (b) resignation of the trustee;
  - (c) appointment of a new trustee, when the duty of the trustee is terminated; and
  - (d) the grounds for termination of the trust;
- (vii) method of public notice of trustee (including the period of public notice; the same applies below);
- (viii) if there are risks that a loss could be incurred due to fluctuations in

- interest rates, the value of currencies, quotations on the financial instruments market, and other indicators as a direct cause in relation to the conclusion of a specific trust agreement by a customer, the following matters:
- (a) the indicator(s); and
  - (b) a reason that a loss may be incurred due to fluctuations in the indicator(s);
- (ix) outline of the taxation on the specific trust agreement;
  - (x) the method whereby a customer contacts the life insurance company, etc. carrying out insurance proceeds trust business;
  - (xi) information as to whether the life insurance company, etc. carrying out insurance proceeds trust business is a target business operator (meaning a target business operator as provided in Article 79-11, paragraph (1) (Target Business Operators) of the Financial Instruments and Exchange Act; the same applies below) of any certified investor protection organization (meaning a certified investor protection organization as provided in Article 79-10, paragraph (1) (Notification of Abolition of Business) of that Act; and limited to the certified investor protection organization when the specific trust agreement is covered by the certified business (meaning the certified business as provided in the same paragraph; the same applies in Article 234-24, paragraph (1), item (xii)) of the certified investor protection organization) (if it is a target business operator of the certified investor protection organization, its name);
  - (xii) in accordance with the categories as respectively stated in (a) or (b), the matters specified in (a) or (b) below:
    - (a) in the case where there is a designated dispute resolution organization, for which category of business of dispute resolution, etc. is the insurance business, etc. conducted by a life insurance company, etc. carrying out the insurance proceeds trust business, a trade name or name of the designated dispute resolution organization, which is a party to a basic contract for implementation of dispute resolution procedures to be concluded by the life insurance company, etc. carrying out the insurance proceeds trust business (in the case of an underwriting member of a licensed specified corporation (meaning the licensed specified corporation provided in Article 223, paragraph (1) of the Act; the same applies in this item) deemed to be a foreign life insurance company, etc. pursuant to Article 240, paragraph (1), item (i) of the Act, the life insurance company, etc. carrying out the insurance proceeds trust business means the licensed specified corporation whose member is the underwriting member; the same applies in (b)) as the measure to conclude a basic contract for implementation of dispute resolution procedures for its own insurance business, etc. pursuant to the provisions of the Act;

- (b) in the case where there is not a designated dispute resolution organization, for which category of business of dispute resolution, etc. is the insurance business, etc. conducted by a life insurance company, etc. carrying out the insurance proceeds trust business, the content of the complaint processing measures (meaning the complaint processing measures provided in Article 105-2, paragraph (1), item (ii) of the Act; the same applies below) and dispute resolution measures (meaning the dispute resolution measures provided in that item; the same applies below) related to its own insurance business, etc. as the measures to be taken by the life insurance company, etc. carrying out the insurance proceeds trust business pursuant to the provisions of the Act; or
  - (xiii) in cases where the specific trust agreement relates to electronically recorded transferable rights to be indicated on securities, etc., the outline of the electronically recorded transferable rights to be indicated on securities, etc. and other matters which require the attention of customers regarding the nature of the electronically recorded transferable rights to be indicated on securities, etc.
- (2) If a life insurance company, etc. carrying out insurance proceeds trust business has accepted a limited liability trust as provided in Article 2, paragraph (12) of the Trust Act (Act No. 108 of 2006), the matters to be specified by Cabinet Office Order, as provided in Article 37-3, paragraph (1), item (vii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis are the following matters, beyond the matters as stated in the items of the preceding paragraph:
- (i) the name of the limited liability trust;
  - (ii) place where the affairs of the limited liability trust are to be handled (meaning the place where the affairs are to be handled as provided in Article 216, paragraph (2), item (iv) of the Trust Act); and
  - (iii) the amount payable (meaning the amount payable provided in Article 225 of the Trust Act), and the fact that the benefit related to the trust property in excess of the payable amount cannot be paid to the beneficiaries.

(Credit Rating Recognized as Being Unlikely to Result in Insufficient Protection of Investors)

Article 52-13-23-2 The credit rating to be specified by Cabinet Office Order, as provided in Article 38, item (iii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, is as follows:

- (i) credit ratings (excluding those substantially recognized as credit ratings of which the subject matters are the assessment related to the credit status of asset securitized products) provided in Article 2 (Definitions), paragraph (34) of the Financial Instruments and Exchange Act, of which the subject matters

are the assessment of the credit status of underlying assets (meaning the underlying assets provided in Article 295, paragraph (3), item (ii) of the Cabinet Office Order on Financial Instruments Business, etc.) of the asset securitized products (meaning the asset securitized products provided in Article 295 (Definitions), paragraph (3), item (i) of the Cabinet Office Order on Financial Instruments Business, etc.; the same applies in this item) related to the specified trust agreement; and

- (ii) except for those stated in the preceding item, credit ratings (excluding those substantially recognized as credit ratings of which the subject matters are the assessment concerning the credit status of securities related to the specified trust agreement or issuer of the securities) provided in Article 2, paragraph (34) of the Financial Instruments and Exchange Act, of which the main subject matters are the assessment of the credit status of securities other than those related to the specified trust agreement or of persons other than issuer of securities related to the specified trust agreement.

(Significance of Registration of Credit Rating Agency and Other Matters)

Article 52-13-23-3 (1) The matters to be specified by Cabinet Office Order, as provided in Article 38, item (iii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:

- (i) significance of the registration referred to in Article 66-27 (Registration) of the Financial Instruments and Exchange Act;
  - (ii) the following matters with respect to the persons who provided the credit ratings (meaning the credit ratings provided in Article 2 (Definitions), paragraph (34) of the Financial Instruments and Exchange Act; the same applies in this Article and Article 234-26-2):
    - (a) trade name or name;
    - (b) in the case of a corporation (including an organization without legal personality for which a representative person or administrator has been designated; the same applies in Article 234-26-2), name of officer (representative person or administrator, in the case of an organization without legal personality for which a representative person or administrator has been designated; the same applies in Article 234-26-2);
    - (c) the name and location of head office or other principal business offices or office;
  - (iii) summary of policy and method used by the person who provided the credit ratings in order to provide the credit ratings; and
  - (iv) premise, significance and limit of the credit ratings.
- (2) Notwithstanding the provisions of the preceding paragraph, for the credit rating granted by the specified associated corporation (meaning the specified associated corporation as provided in Article 116-3, paragraph (2) (Significance

of Registration of Credit Rating Agencies and Other Matters) of the Cabinet Office Order on Financial Instruments Business, etc.; the same applies below in this paragraph and Article 234-26-2, paragraph (2)), the matters to be specified by Cabinet Office Order, as provided in Article 38, item (iii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis are the following matters:

- (i) significance of registration referred to in Article 66-27 of the Financial Instruments and Exchange Act;
- (ii) the trade name or name and registration number of the credit rating agency, which is its associated corporation (meaning the associated corporation as provided in Article 295, paragraph (3), item (x) (Definitions) of the Cabinet Office Order on Financial Instruments Business, etc.; the same applies in Article 234-26-2, paragraph (2), item (ii)) and designated by the Commissioner of the Financial Services Agency as the specified associated corporation, pursuant to the provisions of Article 116-3, paragraph (2) of the same Order;
- (iii) the name used by the specified associated corporation as a representation of its credit rating services (meaning the credit rating services as provided in Article 2, paragraph (35) (Definitions) of the Financial Instruments and Exchange Act; the same applies in Article 234-26-2, paragraph (2), item (iii));
- (iv) an outline of the policies and methods adopted by the specified associated corporation that granted a credit rating in granting the credit rating, or the means to obtain information related to the outline from the credit rating agency as provided in item (ii); and
- (v) the assumption, significance and limitations of the credit rating.

(Prohibited Acts)

Article 52-13-24 The acts to be specified by Cabinet Office Order, as provided in Article 38, item (ix) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, are as follows:

- (i) the acts stated in the items of Article 52-13;
- (ii) an act to conclude a specific trust agreement, without having provided a customer (excluding a professional investor (excluding a person who is deemed to be a customer other than a professional investor pursuant to the provisions of Article 34-2, paragraph (5) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis, but including a person deemed to be a professional investor pursuant to the provisions of Article 34-3, paragraph (4) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis); the same applies below); the same applies

below in this item) with a prior explanation on the matters stated in Article 37-3, paragraph (1), items (v) and (vii) of the Financial Instruments and Exchange Act as Applied Mutatis Mutandis (if the document stated in (c) below is to be delivered, a prior explanation on the matters stated in items (v) and (vii) of the same paragraph included in the relevant document) upon the delivery of the following documents, in a manner and to the extent necessary for ensuring that the customer understands the matters, in light of the customer's knowledge, experience, status of the properties and in light of the purpose of concluding the specific trust agreement:

- (a) a document for delivery prior to conclusion of contract;
- (b) in the case stated in Article 52-13-22, paragraph (1), item (ii), the prospectus provided in that item (if there is any document to be delivered as an integral part of the prospectus pursuant to the provisions of that item, that prospectus and the document);
- (c) an explanatory document on change to contract information;

(iii) in connection with the conclusion or surrender of a specific trust agreement, an act to solicit a customer (limited to an individual customer) by telephone or by making a personal visit timed in such a way that the customer would be disturbed;

(iv) conducting an act to make representation concerning the matters stated in Article 52-13-20, item (iv) and item (vi), (a) through (e) without indicating reasonable grounds that support those matters to customers (excluding financial instruments business operators, etc. (meaning the financial instruments business operators, etc. prescribed in Article 34 of the Financial Instruments and Exchange Act and limited to those conducting an act that constitutes a financial instruments transaction (meaning the act that constitutes a financial instruments transaction prescribed in that Article) regarding crypto- and other assets on a regular basis), cryptoasset exchange service providers, etc. (meaning the cryptoasset exchange service providers prescribed in Article 2, paragraph (16) of the Payment Services Act or the foreign cryptoasset exchange service providers prescribed in paragraph (17) of that Article), and electronic payment instruments service providers (meaning the electronic payment instruments service providers prescribed in Article paragraph (12) (including the issuers provided in paragraph (1) of that Article that are deemed as electronic payment instruments service providers pursuant to Article 62-8, paragraph (2) of that Act)) or foreign electronic payment instruments service providers provided in Article 2, paragraph (13) of that Act, but limited to persons engaged in electronic payment instruments-related business provided in Article 21-2 of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (Order of the Ministry of Finance No. 14 of

March 3, 1993); the same applies in the following item) upon concluding or soliciting for the conclusion of a specific trust agreement for a trust of securities related to crypto- and other assets, or upon making an advertisement, etc. regarding the business of concluding the specific trust agreement that the relevant trust company conducts;

- (v) soliciting a customer to conclude a specific trust agreement for a trust of securities related to crypto- and other assets without clearly and accurately indicating the matters stated in Article 52-13-18, item (ii), (a) and (b) (in cases of delivering a document or employing any other equivalent method, including the failure to indicate the letters or numerical characters representing the matters in a size which does not differ substantially from the size of the largest letters or numerical characters representing matters other than those matters); and
- (vi) transmitting to a third party or utilizing material information concerning crypto- and other assets (meaning the crypto- and other assets prescribed in Article 185-23, paragraph (1) of the Financial Instruments and Exchange Act; the same applies below in this item and Article 52-23, paragraph (6), items (ii) and (iii)) in relation to purchase and sale or other transactions of securities that the relevant trust company uses or intends to use as the target of its business of concluding a specific trust agreement for a trust of securities related to crypto- and other assets etc. or concerning the life insurance company, etc. carrying out insurance proceeds trust business which is found to have an impact on customers' decision on purchase and sale or other transactions of securities related to crypto- and other assets (excluding cases where the material information is being made readily accessible to all customers of the business of concluding the specific trust agreement conducted by the life insurance company, etc. carrying out insurance proceeds trust business) for the purpose of gaining one's own profit or for a profit for the third party (excluding the acts that are necessary for the proper and secure conduct of the business of concluding the specific trust agreement by the life insurance company, etc. carrying out insurance proceeds trust business).

(Exemption from Requirement of Explanation on Details of Trust Contract)

Article 52-14 The cases to be specified by Cabinet Office Order, as provided in the proviso to Article 25 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, are as follows:

- (i) the case where the settlor is a qualified institutional investor, etc. (meaning a qualified institutional investor as provided in Article 2, paragraph (3), item (i) (Definitions) of the Financial Instruments and Exchange Act, a trust company, a foreign trust company, a trust agreement agency (meaning a

- trust agreement agency as provided in Article 2, paragraph (9) (Definitions) of the Trust Business Act; the same applies below in this Article and Article 52-23, paragraph (3)) and person registered under Article 50-2, paragraph (1) (Special Provisions Concerning Trusts Created by Any of the Methods Listed in Article 3, Item (iii) of the Trust Act); the same applies Article 52-15, item (ii), Article 52-21, paragraph (1), item (i) and Article 52-24, paragraph (5), item (i)) (excluding the cases where the qualified institutional investor, etc. has demanded explanation under Article 25 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act);
- (ii) the cases where the monetary trust agreement with the identical terms and conditions have been concluded with the settlor (limited to the cases where the settlor has manifested the intension that the settlor does not require explanation under Article 25 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act);
  - (iii) the cases where the trust agreement agency entrusted by the life insurance company, etc. carrying out insurance proceeds trust business has provided the settlor with an explanation on the terms and conditions of the trust agreement, pursuant to the provisions of Article 25 of the Trust Business Act as applied mutatis mutandis pursuant to Article 76 of that Act; and
  - (iv) the cases of acceptance of the trust by way of a trust agreement related to monetary trust with an agreement on compensation of principal or supplementation of profit under Article 6 of the Act on Engagement in Trust Business by Financial Institutions as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act (referred to below as a "trust agreement with provision for compensation of principal") (excluding the cases where the settlor has demanded explanation under Article 25 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act).

(Exemption from Requirement of Delivery of Document at the Time of Concluding Trust Contract)

Article 52-15 The cases to be specified by Cabinet Office Order, as provided in the proviso to Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, are as follows:

- (i) the cases where the settlor is a qualified institutional investor, etc.; where the settlor's prior consent to omission of delivery of document as provided in Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act has been obtained in writing or by the electronic or magnetic means as provided in Article 52-17, paragraph (1); and where the system has been established so that the document will be delivered promptly upon the settlor's requests;

- (ii) the cases where the monetary trust agreement with the identical terms and conditions have been concluded with the settlor, and where, pursuant to the provisions of Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, the document related to the trust agreement had been delivered to the settlor (limited to the cases where the settlor has manifested the intension that the settlor does not require delivery of document as provided in the same paragraph); and
- (iii) the cases where the trust has been accepted by way of a trust agreement with provision for compensation of principal, and where the system has been established so that the document provided in Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act will be delivered promptly upon the settlor's request.

(Matters to Be Stated in Documents for Delivery at the Time of Conclusion of Trust Contract)

Article 52-16 (1) The matters stated in Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are to include the following matters:

- (i) the types of trust properties subject to initial acquisition, and their value or quantity;
- (ii) the matters related to transfer of rights in trust properties (limited to the matters related to perfection of properties comprising trust properties); and
- (iii) if any trust property is planned to be acquired on or after the day of acquisition of trust property as referred to in item (i), the scheduled date for acquisition, the types of the trust properties and condition for the acquisition.
- (iv) in the case of a trust of crypto- and other asset-related securities, the following matters:
  - (a) the fact that crypto- and other assets are not the Japanese currency or a foreign currency;
  - (b) if there is a risk of losses directly from fluctuations in the value of crypto- and other assets, the relevant fact and the reasons for it;
  - (c) the fact that crypto- and other assets can be used for paying consideration only with the consent of the person who receives payment of consideration;
  - (d) the outline and the characteristics of the crypto- and other assets relating to the trust (if the value of the crypto- and other assets has not been guaranteed by a specific person, including the relevant fact; and if the value has been guaranteed by a specific person, including the name, trade name or other name of that person and the content of the guarantee); and
  - (e) other matters found to be relevant to the nature of the crypto- and other assets.

- (2) The matters provided in Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are to include the following matters:
- (i) types of properties acquired by the management or disposition of trust properties (including the acts as may be necessary for achievement of the purpose of the trust; the same applies in Article 52-21, paragraph (1) and Article 52-23, paragraph (1), item (iii));
  - (ii) when the money comprising the trust property is to be invested jointly with the money comprising the trustee's own property or the money comprising any other trust property, to that effect and the criteria for the allocation of profit and loss between the trust property, and the trustee's own property or the other trust property.
- (3) The outline of the transaction stated in the items of Article 29, paragraph (2) of the Trust Business Act as provided in Article 26, paragraph (1), item (viii) of that Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act is to include the manners and conditions of the transaction.
- (4) The matters provided in Article 26, paragraph (1), item (ix) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are to include the following matters:
- (i) if there are any unspecified or prospective beneficiaries, their scope, qualification and any other matter which may be necessary for specifying the persons to become beneficiaries;
  - (ii) when a trust administrator, trust supervisor or agent for beneficiary is to be designated pursuant to the provisions of Article 123, paragraph (1), Article 131, paragraph (1), or Article 138, paragraph (1) of the Trust Act, the matters related to the trust administrator, trust supervisor or agency for beneficiary;
  - (iii) if the settlor has a right to designate or change the beneficiaries, the matters related to the right; and
  - (iv) when the acquisition of beneficial interest is subject to the beneficiary's manifestation of intention to enjoy the benefit of the trust, that fact.
- (5) The matters provided in Article 26, paragraph (1), item (x) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are to include the following matters:
- (i) types of trust properties to be delivered to beneficiaries;
  - (ii) timing and method for delivery of trust properties; and
  - (iii) when the details of the matters stated in the preceding two items is to be provided respectively for each beneficiary, the details.
- (6) The matters provided in Article 26, paragraph (1), item (xi) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are to include the following matters:

- (i) amount of trust fees or methods of calculation; and
  - (ii) the timing and method of payment of the trust fee.
- (7) The matters specified by Cabinet Office Order, as provided in Article 26, paragraph (1), item (xvi) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, are the matters stated in Article 52-13-23, paragraph (1), items (ii) through (vii).
- (8) If a life insurance company, etc. carrying out insurance proceeds trust business has accepted a limited liability trust as provided in Article 2, paragraph (12) of the Trust Act, the matters specified by Cabinet Office Order, as provided in Article 26, paragraph (1), item (xvi) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, are the matters specified in the items of Article 52-13-23, paragraph (2), beyond the matters stated in the items of the preceding paragraph.

(Method by Use of Information and Communications Technology)

Article 52-17 (1) The methods to be specified by Cabinet Office Order, as provided in Article 26, paragraph (2) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act (including as applied mutatis mutandis pursuant to Article 27, paragraph (2) and Article 29, paragraph (4) of that Act; the same applies below in this Article), are the following methods (referred to as the "electronic or magnetic means" in the following Article, Article 52-21, paragraph (1) and Article 52-24):

- (i) the methods using an electronic data processing system, as stated in (a) through (d):
  - (a) to transmit information to be contained in a document (referred to below as the "information" in this Article) via telecommunications line connecting the computers used by a life insurance company, etc. carrying out insurance proceeds trust business (including a person who, pursuant to the contract with a life insurance company, etc. carrying out insurance proceeds trust business, stores files onto a computer managed by the person, and make the files available for the settlor or for the life insurance company, etc. carrying out insurance proceeds trust business; the same applies below in this Article) and the computers used by the settlor, etc. (meaning a settlor, and a person who, pursuant to a contract with the settlor, stores the customer file (meaning the file solely made available to the settlor; the same applies below in this Article) onto a computer managed by the relevant person; the same applies below in this Article), and to record the information into the customer file stored onto the computer used by the settlor, etc. (or, if the applicant acknowledges the provision of information by the method provided in Article 26, paragraph (2) of the Act, or the applicant notifies to the effect that the applicant will

- not receive information by the relevant means, the method by which to record the acknowledgment or notice into a file stored on the computer used by the life insurance company, etc. carrying out insurance proceeds trust business which provides the information provided in the same paragraph);
- (b) to make the information recorded into the files stored on a computer used by a life insurance company, etc. carrying out insurance proceeds trust business available for the settlor's inspection via telecommunications line, and to record the information into the customer file of the relevant settlor stored on the computer used by the settlor, etc. (or, if the applicant acknowledges the provision of information by the method provided in Article 26, paragraph (2) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act, or the applicant notifies to the effect that the applicant will not receive information by such means, to record the acknowledgment or notice into a file stored on the computer used by the life insurance company, etc. carrying out insurance proceeds trust business);
  - (c) to make the information recorded into the customer files stored on the computer used by a life insurance company, etc. carrying out insurance proceeds trust business available for a settlor's inspection via telecommunications line;
  - (d) to make the information recorded into the inspection file (meaning a file stored on a computer used by a life insurance company, etc. carrying out insurance proceeds trust business with which to record the information for making them available for public inspection by multiple settlors at the same time; the same applies below in this Article) available for a settlor's inspection via telecommunications line; and
  - (ii) to deliver the file storing the information, which is prepared with any object enabling secure storage of certain information through magnetic disks, CD-ROMs or any other means equivalent thereto.
- (2) The methods provided in the items of the preceding paragraph must conform to the following requirements:
- (i) that the method enables a settlor to prepare a document by way of outputting information recorded into the customer file or inspection file;
  - (ii) in the case of the method provided in item (i), (a), (c) and (d) of the preceding paragraph (excluding the method to record the information into the customer file stored on a computer used by a settlor), that the settlor is informed of the fact that the information will be or have been recorded into the customer file or the inspection file; provided, however, that this does not apply to the cases where it is confirmed that the settlor has inspected the information;

- (iii) regarding the method provided in item (i), (d) of the preceding paragraph, that information necessary for a settlor's inspection of the inspection file is recorded into the customer file;
- (iv) in the case of the method provided in item (i), (c) or (d) of the preceding paragraph, that the following matters cannot be deleted or altered for the period until five years passes from the day when the transaction stated in the information has been finally carried out (if any complaint related to the information has been raised within the period before the expiration date of the period, for the period until either the expiration date of the period or the day when the complaint was settled, whichever comes later); provided, however, that the information may be deleted if the information which have been made available for inspection are delivered in writing, such information are provided by the methods stated in item (i), (a) or (b) of the preceding paragraph or in item (ii) of the preceding paragraph with the settlor's consent (meaning consent given by the method provided in Article 13-6, paragraph (1) of the Cabinet Order), or the settlor has instructed that the information should be deleted:
  - (a) in the case of the method provided in item (i), (c) of the preceding paragraph, the information recorded in the customer file;
  - (b) in the case of the method provided in item (i), (d) of the preceding paragraph, the information recorded in the inspection file; and
- (v) in the case of the method provided in item (i), (d) of the preceding paragraph, before the passage of the period specified in the preceding item, the customer file recording the information necessary for the settlor's inspection of the inspection file as stated in (a) and the inspection file are kept connectible via telecommunications line; provided, however, that this does not apply to the cases where the settlor who has been given access to the files has notified to the effect that the connectibility need not be maintained.
- (3) The term "electronic data processing system" as used in paragraph (1), item (i) means an electronic data processing system connecting a computer used by a life insurance company, etc. carrying out insurance proceeds trust business and a computer storing customer files used by a settlor, etc. or life insurance company, etc. carrying out insurance proceeds trust business, via telecommunications line.

Article 52-18 The types and details of the electronic or magnetic means to be specified pursuant to Article 13-6, paragraph (1) of the Cabinet Order (including as applied mutatis mutandis pursuant to paragraph (3) of the same Article) are as follows:

- (i) the methods provided in the items of paragraph (1) of the preceding Article

or the items of Article 60, paragraph (1), which are to be used by the life insurance company, etc. carrying out insurance proceeds trust business; and (ii) the format for recording information into a file.

(Special Provisions for Accounting Period)

Article 52-19 The cases to be specified by Cabinet Office Order, as provided in Article 26, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act are as follows:

- (i) the cases where the accounting period is the first one after the creation of the trust and is less than two years;
- (ii) the cases where the day on which one year has passed from the first day of the accounting period (referred to as the "Corresponding Day" in the following item and item (iv)) falls on Sunday, Saturday, a holiday provided in the Act on National Holidays (Act No. 178 of 1948), January 2, January 3, or December 29 to 31 (referred to as a "holiday, etc." in the following item and item (iv)), and when the day following the relevant day is determined to be the final day of the accounting period;
- (iii) the cases where the corresponding day and the following day are holidays, etc., and when the day after the next day of the corresponding day is determined to be the final day of the accounting period;
- (iv) the cases where the corresponding day through to the day after the next day are holidays, etc., and when the day three days after the corresponding day is determined to be the final day of the accounting period; and
- (v) the cases the trust has been accepted by way of a trust agreement with provision for compensation of principal, and if the system has been established so that a response can be made promptly to inquiries on the status of the trust property from a beneficiary (if a trust manager or an agent for the beneficiary currently exists, including the trust manager or agent for the beneficiary; the same applies in paragraph (1), items (v), (vii), and (viii) of the following Article, Article 52-21, paragraph (1), items (i)-2 and (v) through (vii), Article 52-24, paragraph (1), item (iii), paragraph (3), item (iii), and paragraph (5), items (i)-2, (iv) and (v), and Article 52-26).

(Matters to Be Stated in Report on the Status of Trust Property)

Article 52-20 (1) The following matters must be stated in a report on the status of trust property provided in the main clause of Article 27, paragraph (1) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act (referred to below as a "report" in this Article):

- (i) the status of the assets, liabilities, and the principal as of the final day of the accounting period (referred to below as the "current period end" in this Article) and the status of income and expenditure during that accounting

- period;
- (ii) regarding shares, the total trading volume, the total trading value during the accounting period, and the following matters for each of the issues (limited to the issues of shares when a life insurance company holds a trust, the purpose of which is to invest the amount over 50 percent of the trust property in securities provided in Article 2, paragraph (1) of the Financial Instruments and Exchange Act (including rights that are deemed to be securities pursuant to the provisions of paragraph (2) of the same Article) and whose value exceeds 1 percent of the total value of the trust property, as of the current period end; the same applies in the following item):
    - (a) the number of the shares as of the final day of the accounting period immediately prior to the accounting period of the trust property;
    - (b) the number of shares as of the current period end;
    - (c) in the case of a trust in which the shares are scheduled to be sold, the aggregate market value of the shares as of the current period end;
  - (iii) regarding government or corporate bonds (meaning government or corporate bonds stated in Article 2, paragraph (1), item (ix) of the Income Tax Act (Act No. 33 of 1965)), the total trading value during the accounting period for each of the types, and the total par value as of the current period end for each of the issues (in the case of a trust in which the government or corporate bonds are scheduled to be sold, including the aggregate market value);
  - (iv) if derivative transactions have been carried out, the outstanding balance of transaction contracts or the outstanding balance of transactions as of the current period end, and the amount of transaction contracts or the amount of transactions during the accounting period for each type of transactions;
  - (v) regarding real property, the right of lease of real property, or superficies rights, the following matters (regarding the matters stated in (b) or (c), excluding cases where prior consent to omission of the statement has been obtained from beneficiaries):
    - (a) the location or address of the real property and other matters necessary to identify the real property;
    - (b) in the case of a trust in which the real property is scheduled to be sold, the value of each piece of real property as of the current period end (meaning the appraisal price, posted price, published land price, assessed value for fixed asset tax (meaning the price registered in the land tax ledger or supplemental land tax ledger pursuant to the provisions of Article 381, paragraph (1) or (2) of the Local Tax Act (Act No. 226 of 1950)), or other price rationally calculated based on data);
    - (c) if lease contracts on real property have been concluded, the operation rates and the total number of counter parties of the lease contracts as of

- the current period end, and the total rent income during the accounting period, for each piece of real property;
- (d) if the real property has been sold, the total trading value during the accounting period;
- (vi) regarding monetary claims, the following matters:
  - (a) the types and the value of the claims (it is sufficient to state only the total value for each type of the claims) as of the current period end, and other matters concerning the details of the claims;
  - (b) if the claims have been sold, the total trading value for each type of the claims during the accounting period;
- (vii) regarding intellectual property rights (meaning intellectual property rights provided in Article 2, paragraph (2) of the Intellectual Property Basic Act (Act No. 122 of 2002); the same applies below), the following matters (regarding the matters stated in (c), excluding cases where prior consent to omission of the statement has been obtained from beneficiaries):
  - (a) the type of intellectual property rights and other matters necessary to identify the intellectual property rights;
  - (b) if licenses, rights to use, and other rights (referred to below as "licenses, etc." in this item) have been established regarding intellectual property rights through establishing acts, the scope of the licenses, etc. and other matters concerning the details of the acts establishing the licenses, etc. for each of the intellectual property rights;
  - (c) in the case of a trust in which the intellectual property rights are scheduled to be sold, the appraised value as of the current period end, for each of the intellectual property rights;
  - (d) the status of transactions during the accounting period, for each of the intellectual property rights;
- (vii)-2 regarding electronically recorded transferable rights to be indicated on securities, etc., the total trading volume and total trading value during the accounting period, as well as the following matters for each issue:
  - (a) the volume as of the last day of the accounting period immediately before the accounting period of the trust property;
  - (b) the volume as of the end of the current period;
  - (c) in cases of a trust in which the sales of the relevant electronically recorded transferable rights to be indicated on securities, etc. are planned, the total market value of electronically recorded transferable rights to be indicated on securities, etc. as of the end of the current period;
- (viii) regarding property other than those referred to in item (ii) through the preceding item (excluding beneficial interest related to any of the following trusts; referred to below as "subject property" in this item), the following matters for each type of subject property (provided, however, that regarding

- the matters stated in (c), excluding cases where prior consent to omission of the statement has been obtained from beneficiaries):
- (a) the type of subject property, the name of right holders, and other matters necessary to identify the subject property, as of the current period end;
  - (b) if any rights have been established for the subject property, the name of the right holders of the rights and other matters concerning the details of the rights, for each of the subject property;
  - (c) in the case of a trust in which the subject property is scheduled to be sold, the appraised value as of the current period end, for each of the subject property;
  - (d) the status of transactions during the accounting period, for each of the subject property;
  - (ix) regarding beneficial interest related to a trust, the purpose of which is to have beneficiaries of another trust acquire beneficial interest, the matters stated in item (ii) through the preceding item for the immediately preceding accounting period, for each type of trust property related to the beneficial interest;
  - (x) if a life insurance company assumes obligations for processing trust affairs (excluding any obligations to be assumed generally for processing trust affairs), the total amount of the obligations, the amount of obligations for each contract, and other matters concerning the details of the obligations (if the obligations are borrowing, including the total amount of the borrowing, including information on the features of the lender, borrowed amount, due date, outstanding balance as of the current period end, interest rates for the accounting period and borrowing period, method of repayment and creation of security, as itemized by the relevant contracts, and aim and purpose of use of the borrowing); and
  - (xi) if a life insurance company entrusts a third party with insurance proceeds trust business other than the businesses stated in the items of Article 22, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act, which relates to the trust property, the name or trade name, and the address or location of the entrusted party, as well as the consideration for the entrustment and the details of the entrusted businesses.
- (2) A life insurance company, etc. carrying out insurance proceeds trust business may, when making a statement of the matters stated in item (i) of the preceding paragraph, replace the data on the status of the assets, liabilities, and the principal as of the current period end with the balance sheet as of the current period end, and the data on the status of profit and loss during the accounting period with the income and expenditure statement of the trust property for the accounting period.

- (3) A report must be prepared clearly enough so that the status of the trust property can be accurately judged.
- (4) The amounts of the matters stated in the items of paragraph (1) may be indicated by million yen; provided, however, that this does not apply where the indication poses a risk of impeding accurate judgment of the status of the trust property.
- (5) A life insurance company, etc. carrying out insurance proceeds trust business must prepare a report related to the trust property without delay after the termination of the accounting period of the trust property or the period specified by the act of trust and deliver it to beneficiaries; provided, however, that this does not apply where the report is to be delivered to beneficiaries after the termination of the period specified by the act of trust and when the case falls under the items of paragraph (1) of the following Article.

(Exemption from Requirement of Delivery of Report on the Status of Trust Property)

Article 52-21 (1) The cases to be specified by Cabinet Office Order, as provided in the proviso to Article 27, paragraph (1) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act, are as follows:

- (i) the cases where the beneficiary is a qualified institutional investor, etc.; where prior consent to omission of delivery of a report on the status of trust property has been obtained from the beneficiary (if an agent for the beneficiary currently exists, including the agent for the beneficiary; the same applies below in this item) in writing or by the electronic or magnetic means; and where the system has been established so that a response can be made promptly to inquiries on the status of the trust property from the beneficiary;
- (i)-2 the cases where the beneficiary is a beneficiary of beneficial interest in bearer form (meaning beneficial interest in bearer form provided in Article 110, paragraph (3) of the Trust Act; the same applies below) in a trust with certificate of beneficial interest (meaning a trust with certificate of beneficial interest provided in Article 185, paragraph (3) of that Act; the same applies below); and where the system has been established so that a report on the status of trust property can be delivered to the beneficiary whose name and address are already known to the life insurance company, etc. carrying out insurance proceeds trust business, and a report on the status of trust property can also be delivered promptly upon request from other persons;
- (ii) the cases where a trust manager or an agent for the beneficiary currently exists, and when a report on the status of trust property is to be delivered to the trust manager or the agent for the beneficiary;
- (iii) the cases where the trust is accepted by way of a trust agreement to

- conduct the management or disposition of trust property by instruction from a financial instruments business operator, etc. (limited to a person carrying out investment management business (meaning the investment management business provided in Article 28, paragraph (4) of the Financial Instruments and Exchange Act; the same applies below); the same applies below in this item); and where all the beneficiaries of the trust are customers of the financial instruments business operator, etc., and the financial instruments business operator, etc. is provided with information necessary for preparing an investment report referred to in Article 42-7, paragraph (1) of that Act;
- (iv) the cases where the trust is accepted by way of a trust agreement to conduct the management or disposition of trust property by instruction from a commodities investment advisor provided in Article 2, paragraph (4) of the Act on Regulation of Commodity Investment; and beneficiaries of the trust are all customers of the commodities investment advisor, and where the commodities investment advisor is provided with information necessary for preparing a report referred to in Article 20 of that Act;
- (v) the cases where the trust has been accepted by way of a trust agreement with provision for compensation of principal, and where the system has been established so that a response can be made promptly to inquiries on the status of the trust property from a beneficiary;
- (vi) the cases where prior consent has been obtained from a beneficiary in writing or by the electronic or magnetic means to the effect that the delivery of a report on the status of trust property is replaced with the delivery of a document containing the details of each transaction or the provision by the electronic or magnetic means, and where the details of the transactions are provided to a beneficiary in writing or by the electronic or magnetic means;
- (vii) the cases where a document or electronic or magnetic record prepared for other purposes contain statements or records of the matters stated in the items of paragraph (1) of the preceding Article, and where the details of the statement or record in the document or electronic or magnetic record are provided to a beneficiary in writing or by the electronic or magnetic means;
- (viii) the cases where the trust with certificate of beneficial interest has been accepted and all of the following requirements are satisfied:
- (a) that the beneficial interest related to the trust with certificate of beneficial interest is listed on a financial instruments exchange (meaning the financial instruments exchange as prescribed in Article 2, paragraph (16) (Definitions) of the Financial Instruments and Exchange Act; the same applies below) and does not fall under the category of specified listed securities (meaning the specified listed securities as prescribed in paragraph (33) of the same Article; the same applies below in this item and Article 52-24, paragraph (5), item (ix)) or falls under the category of

- securities for professional investors (meaning the securities for professional investors as prescribed in Article 4, paragraph (3) (Notification of Public Offering or Secondary Distribution) of the Financial Instruments and Exchange Act; the same applies below in this item and Article 52-24, paragraph (5), item (ix));
- (b) that the requirements specified in 1. or 2. below are satisfied in accordance with the categories of cases as respectively stated in 1. or 2.:
1. when the beneficial interest is listed on the financial instruments exchange (excluding the case where the beneficial interest falls under the category of specified listed securities): that the information related to the matter to be stated in the report on the status of trust property is adequately disclosed by the disclosure method specified by the financial instruments exchange;
  2. when the beneficial interest falls under the category of securities for professional investors: the information related to the matters to be stated in the report on the status of trust property is provided or disclosed pursuant to the provisions of Article 27-32, paragraph (1) or paragraph (2) (Provision or Disclosure of Information on the Issuer) of the financial instruments exchange Act as the information on the Issuer as prescribed in paragraph (1) of the same Article;
- (c) that the system has been established so that the report on the status of trust property may be promptly delivered upon the request from the beneficiary; and
- (d) that it is provided by the terms of trust of the trust with certificate of beneficial interest to the effect as provided in (b) above or to the effect that the report on the status of trust property is not delivered unless it is requested from the beneficiary.
- (2) The provisions of Article 26, paragraph (2) of the Trust Business Act, as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, Article 13-6, paragraphs (1) and (2) of the Order, and Article 52-17 and Article 52-18 apply mutatis mutandis to the delivery of a report on the status of trust property under the provisions of item (ii) of the preceding paragraph.

(Matters Concerning the Development of a System for Managing Certain Trust Property Separately from Own Proprietary Assets and Other Trust Property)

Article 52-22 (1) A life insurance company, etc. carrying out insurance proceeds trust business (including a person who has been entrusted by the life insurance company, etc. carrying out insurance proceeds trust business with insurance proceeds trust business other than the businesses stated in the items of Article 22, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act) must manage the property

belonging to the relevant trust property separately from the property belonging to the trust property of other trusts through such means as segregating the places of the custody and in a condition which enables the identification of the beneficiaries related to the trust property.

- (2) A life insurance company, etc. carrying out insurance proceeds trust business must, when entrusting a third party with the management of the trust property pursuant to the provisions of Article 22, paragraph (1) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act, develop a system sufficient to ensure that the entrusted third party will manage the property belonging to the relevant trust property through such means as segregating the property separately from its own proprietary assets and other property, in accordance with the types of the trust property.
- (3) Beyond what is provided in the preceding two paragraphs, when a life insurance company, etc. carrying out insurance proceeds trust business manages electronically recorded transferable rights to be indicated on securities, etc. that belong to the trust property, it must conduct management by the method specified in the following items according to the categories of cases stated in the respective items; provided, however, that this does not apply to the minimum amount of electronically recorded transferable rights to be indicated on securities, etc. that are required to be managed by a method other than the methods specified in the following items for ensuring the convenience of customers and achieving smooth conduct of the trust business, in light of the situation of the trust business it carries out:
  - (i) if the life insurance company, etc. carrying out insurance proceeds trust business conducts management by itself: a method to manage information necessary for transferring property value on which electronically recorded transferable rights to be indicated on securities, etc. that belong to the trust property are indicated, by recording it on an electronic device always disconnected from the internet, an electronic or magnetic recording medium or other recording medium (including a document or any other object), or to manage the information by taking technical security control measures equivalent to the former; and
  - (ii) if the life insurance company, etc. carrying out insurance proceeds trust business has a third party conduct management: a method reasonably found to ensure the protection of customers at an equivalent level to the level in the case of the management by the life insurance company, etc. carrying out insurance proceeds trust business itself regarding the preservation of electronically recorded transferable rights to be indicated on securities, etc. that belong to the trust property.
- (4) In order to clarify the processing of trust business and the calculation, a life

insurance company, etc. carrying out insurance proceeds trust business must prepare books and documents stated in items (i) and (ii) in accordance with the appended table and preserve them for the period specified in the following items, in accordance with the categories of the documents as respectively stated in those items:

- (i) trust account ledger: for ten years from the final day of the accounting period of the trust property or the final day of the period specified by the act of trust;
- (ii) general ledger: for five years from the day on which the general ledger is prepared; and
- (iii) written contract for the entrustment of insurance proceeds trust business (excluding the businesses stated in the items of Article 22, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act): for five years from the final day of the contract for the entrustment.

(Matters Concerning the Development of a System to Avoid Damaging Trust Property or Undermining Credibility of Trust Business)

Article 52-23 (1) A life insurance company, etc. carrying out insurance proceeds trust business (including a person who has been entrusted by the life insurance company, etc. carrying out insurance proceeds trust business with insurance proceeds trust business other than the businesses stated in the items of Article 22, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act) must develop a system sufficient to properly perform internal management affairs as stated in the following items:

- (i) ensuring personnel structure that enables proper performance of internal management affairs;
  - (ii) developing internal rules for properly performing internal management affairs (limited to internal rules that contain provisions which clarify the internal responsibility system related to the affairs); and
  - (iii) ensuring the independence of persons engaged in internal management affairs from sectors that conduct the management or disposition of the trust property.
- (2) The term "internal management affairs" referred to in the preceding paragraph means the following:
- (i) affairs related to compliance management (meaning the judgment on whether the business complies with laws and regulations (including laws and regulations of foreign states) or dispositions issued by administrative agencies under laws and regulations (including similar dispositions issued under laws and regulations of foreign states) (referred to below as "laws and

- regulations, etc." in this item), and the assurance of compliance with the laws and regulations, etc. by the officers and employees);
- (ii) affairs related to an internal audit and internal inspection; and
  - (iii) affairs related to finance.
- (3) A life insurance company, etc. carrying out insurance proceeds trust business must, for ensuring appropriate operations of trust agreement agency business by the entrusted trust agreement agency, establish a system sufficient to provide guidance for the trust agreement agency and to verify the status of compliance with laws and regulations related to the trust agreement agency business by the trust agreement agency.
- (4) If a life insurance company, etc. carrying out insurance proceeds trust business establishes its head office, etc. (meaning head office, etc. specified in Article 13-5, paragraph (1), item (i) of the Cabinet Order), business office, or other office in the same building as the head office, etc., business office, other office, or agent of another life insurance company, etc. carrying out insurance proceeds trust business, trust company, foreign trust company, or financial institution (meaning any of the financial institutions stated in the items of Article 2 of the Order for Enforcement of the Act on Engagement in Trust Business by Financial Institutions; the same applies below in this paragraph and paragraph (5), item (vii) of the following Article) (including a business office or other office of a bank agent, etc. (meaning a bank agent as provided in Article 2, paragraph (15) of the Banking Act, a long term credit bank agent as provided in Article 16-5, paragraph (3) of the Long Term Credit Bank Act, a Shinkin bank agent as provided in Article 85-2, paragraph (3) of the Shinkin Bank Act, a labor bank agent as provided in Article 89-3, paragraph (3) of the Labor Bank Act, a credit cooperative agent as provided in Article 6-3, paragraph (3) of the Act on Financial Businesses by Cooperative, a specific credit business agent as provided in Article 92-2, paragraph (3) of the Agricultural Cooperatives Act, a specific credit business agent as provided in Article 106, paragraph (3) of the Fishery Cooperatives Act and a Norinchukin bank agent as provided in Article 95-2, paragraph (3) of the Norinchukin Bank Act, and agricultural cooperatives, fisheries cooperatives and fishery processing cooperatives engaged in agency service for the business relating to the authorization under Article 42, paragraph (3) of the Act on Enhancement and Restructuring of Credit Business Conducted by The Norinchukin Bank and Specified Agricultural and Fishery Cooperative Savings Insurance Cooperation, etc. (Act No. 118 of 1996) (referred to as "agency service under Enhancement and Restructuring Act") in Article 234, paragraph (1), item (xviii), (a)); the same applies in Article 234 and Article 234-27)) and conducts its business in that office, it must take appropriate measures to prevent customers from misidentifying the life insurance company, etc. carrying out insurance proceeds

trust business with those another life insurance company, etc. carrying out insurance proceeds trust business, trust company, foreign trust company, or financial institution.

- (5) If a life insurance company, etc. carrying out insurance proceeds trust business conducts its business by the use of a computer connected via telecommunications line, it must take appropriate measures to prevent customers from misidentifying the life insurance company, etc. carrying out insurance proceeds trust business with other persons.
- (6) If placing crypto- and other asset-related securities in trust, a life insurance company, etc. carrying out insurance proceeds trust business must take the following measures:
  - (i) measures to establish systems necessary for protecting the customers and ensuring the conduct of the trust business in a proper and precise manner, in accordance with the characteristics of the crypto- and other assets, the details of the transactions and other circumstances;
  - (ii) necessary measures to avoid conducting the purchase and sale or other transaction of securities related to crypto- and other assets that are found to be likely to hinder the protection of customers or the proper and steady conduct of the trust business in light of the characteristics of crypto- and other assets and its own operational system; and
  - (iii) measures necessary to appropriately manage material information concerning securities related to crypto- and other assets related to purchase and sale or other transactions of securities that the relevant life insurance company, etc. carrying out insurance proceeds trust business uses or intends to use as the target of the trust of securities related to crypto- and other assets conducted thereby or concerning the life insurance company, etc. carrying out insurance proceeds trust business which is found to have an impact on customers' decision on purchase and sale or other transactions of securities concerning securities related to crypto- and other assets (excluding cases where the material information is being made readily accessible to all customers of the trusts of securities related to crypto- and other assets conducted by the life insurance company, etc. carrying out insurance proceeds trust business).
- (7) If a life insurance company, etc. carrying out insurance proceeds trust business manages electronically recorded transferable rights to be indicated on securities, etc. that belong to the trust property, it must take the measures to ensure sufficient management of the electronic data processing systems for the business, in accordance with the contents and methods of its business.
- (8) Beyond what is provided in the preceding paragraph, a life insurance company, etc. carrying out insurance proceeds trust business must take the measures to formulate, publicize and implement the policies concerning the

performance of obligations in cases where the life insurance company, etc. carrying out insurance proceeds trust business is unable to perform all of the obligations in relation to the management of electronically recorded transferable rights to be indicated on securities, etc. that the life insurance company, etc. carrying out insurance proceeds trust business assumes against its customers, out of the electronically recorded transferable rights to be indicated on securities, etc. that belong to the trust property where the trust company manages the property that belongs to the trust property separately from its own property and property that belongs to other trusts pursuant to the provisions of Article 28, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, as a result of the leakage, loss, or damage of the information necessary for transferring property value on which electronically recorded transferable rights to be indicated on securities, etc. are indicated, or due to other grounds (policies include actions necessary for performing the relevant obligations and times to take those actions).

(Rules for Acts Related to Trust Property)

Article 52-24 (1) The transactions to be specified by Cabinet Office Order, as provided in Article 29, paragraph (1), item (iii) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are as follows:

- (i) transactions that are not deemed to exclusively aim to gain profits from business operated by a person other than the person who carries out the transactions or beneficiaries related to the trust property by way of carrying out new transactions with the counterparty to the transactions;
- (ii) transactions that are carried out by using information accessible to a third party;
- (iii) transactions that are carried out by disclosing important facts concerning the transactions to beneficiaries related to the trust property and obtaining their consent in writing or by the electronic or magnetic means; or
- (iv) other transactions that are deemed unlikely to cause damage to the trust property.

(2) The acts to be specified by Cabinet Office Order, as provided in Article 29, paragraph (1), item (iv) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are as follows:

- (i) after carrying out trading or other transactions of trust property, specifying the trust property related to the transactions in a manner that provides profits or causes loss unjustly to some of the beneficiaries;
- (ii) carrying out or not carrying out transactions for trust property under unjust restrictions or restraints from another person;

- (iii) carrying out transactions for the purpose of creating manipulative prices to specified assets;
  - (iv) except for cases where a life insurance company discloses important facts concerning transactions to a beneficiary related to the trust property (if a trust manager or an agent for the beneficiary currently exists, including the trust manager or the agent for the beneficiary) and obtaining the beneficiary's consent in writing or by the electronic or magnetic means, carrying out transactions under which the life insurance company establishes security rights regarding property falling under trust property, secured with a claim related to obligations belonging to its own property, or conducts other acts with a third party in connection with trust property, under conditions that are more disadvantageous to the beneficiary than those for ordinary transactions, and which result in a conflict of interests between the trustee or the interested parties and the beneficiary; or
  - (v) designating an agent for the beneficiary exclusively aiming to make changes regarding important trusts, etc. (meaning changes regarding important trusts, etc. provided in Article 29-2, paragraph (1) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act; the same applies below).
- (3) The cases to be specified by Cabinet Office Order, as provided in Article 29, paragraph (2) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act are as follows:
- (i) the cases where transactions are carried out only by instruction from the settlors or any persons entrusted with the authority to give instruction by the settlors (excluding the cases where the persons fall under those stated in the items of Article 13-7, paragraph (1) of the Cabinet Order), or from the beneficiaries or any persons entrusted with the authority to give instruction by the beneficiaries;
  - (ii) the cases where it is deemed reasonably necessary in light of the purpose of the trust, and transactions are carried out by the method respectively specified as follows, in accordance with the type of the following transactions:
    - (a) buying and selling of the following securities (meaning securities provided in Article 2, paragraphs (1) and (2) (Definitions) of the Financial Instruments and Exchange Act, and including standardized instruments related to securities (meaning standardized instruments stated in Article 2, paragraph (24), item (v) of that Act; simply referred to below as "standardized instruments"), securities stated in paragraph (1), item (xx) of the same Article indicating the rights related to these securities, and rights deemed to be securities under paragraph (2) of the same Article that are to be indicated on these securities):
      1. securities (excluding standardized instruments) listed on a financial

- instruments exchange: buying and selling conducted on a financial instruments exchange market (meaning a financial instruments exchange market provided in Article 2, paragraph (17) of the Financial Instruments and Exchange Act; the same applies below in this item), or conducted at the value calculated based on the publicized closing price as of the preceding day or at other value calculated in a reasonable method as the equivalent value;
2. over-the-counter traded securities (meaning over-the-counter traded securities provided in Article 2, paragraph (8), item (x), (c) of the Financial Instruments and Exchange Act): buying and selling conducted on an over-the-counter securities market (meaning an over-the-counter securities market provided in Article 67, paragraph (2) (Purposes of Authorized Association) of that Act), or conducted at the value calculated based on the publicized closing price as of the preceding day or at other value calculated in a reasonable method as the equivalent value; or
  3. securities other than those stated in 1. and 2. that are listed as follows:
    - buying and selling conducted at the value calculated based on the publicized closing price as of the preceding day or at other value calculated in a reasonable method as the equivalent value:
    - i. securities stated in Article 2, paragraph (1), items (i) through (v) of the Financial Instruments and Exchange Act (including securities stated in item (xvii) of the same paragraph that have nature of these securities; the same applies in ii.);
    - ii. securities stated in Article 2, paragraph (1), item (ix) of the Financial Instruments and Exchange Act whose price is to be publicized in accordance with the rules provided by an authorized financial instruments firms association (meaning an authorized financial instruments firms association prescribed in paragraph (13) of the same Article; the same applies in ii.) or an organization with characteristics similar to an authorized financial instruments firms association that is established in a foreign state; or
    - iii. securities stated in Article 2, paragraph (1), items (x) and (xi) of the Financial Instruments and Exchange Act;
  - (b) market transactions of derivatives (meaning market transactions of derivatives provided in Article 2, paragraph (21) of the Financial Instruments and Exchange Act; the same applies below) and foreign market derivatives transactions (meaning foreign market transactions of derivatives provided in paragraph (23) of that Act; the same applies below): transactions carried out on a financial instruments exchange market or a foreign financial instruments market (meaning a foreign financial

- instruments market provided in Article 2, paragraph (8), item (iii), (b) of the Financial Instruments and Exchange Act);
- (c) buying and selling of real property: buying and selling conducted at the price investigated based on an appraisal by a real property appraiser; or
  - (d) other transactions: transactions carried out under conditions that are not disadvantageous to beneficiaries compared to those for ordinary transactions for the same type and the same volume under similar circumstances;
  - (iii) the cases where transactions are carried out by disclosing important facts concerning each of the transactions to beneficiaries related to the trust property and obtaining their consent in writing or by the electronic or magnetic means; or
  - (iv) the cases where transactions are carried out by obtaining approval from the Commissioner of the Financial Services Agency as other transactions that are unlikely to interfere with the protection of beneficiaries.
- (4) A life insurance company, etc. carrying out insurance proceeds trust business must prepare a document containing the matters stated in the following items, without delay, for each accounting period for trust property, pursuant to the provisions of Article 29, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act and deliver it to beneficiaries:
- (i) if the transaction party is a corporation, its trade name or name and the location of its business office or any other office, and if the transaction party is an individual, to that effect;
  - (ii) if the counterparty of the transactions with trust property is an interested person of a life insurance company, etc. carrying out insurance proceeds trust business, the relationship between the interested person and the life insurance company, etc. carrying out insurance proceeds trust business (if the counterparty of the transactions with trust property is an interested person of a person who has been entrusted by the life insurance company, etc. carrying out insurance proceeds trust business with insurance proceeds trust business (excluding businesses stated in the items of Article 22, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act), the relationship between the interested person and the entrusted person);
  - (iii) the method of the transactions;
  - (iv) the date of the transactions;
  - (v) the types of the trust property related to the transactions and other matters necessary to identify the trust property;
  - (vi) the types and issues of the assets or rights to become the subject of the transactions and other matters necessary to identify the transaction

- subjects;
- (vii) the quantity of the transaction subjects (regarding transactions repeated under a specified continuous transaction contract between the same parties, the quantity of the transactions during the accounting period of the trust property);
  - (viii) transaction prices (regarding transactions repeated under a specified continuous transaction contract between the same parties, the total of the transaction prices during the accounting period of the trust property);
  - (ix) reasons for carrying out the transactions;
  - (x) if a life insurance company, etc. carrying out insurance proceeds trust business (including a person who has been entrusted by the life insurance company, etc. carrying out insurance proceeds trust business with insurance proceeds trust business other than the businesses stated in the items of Article 22, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act) or the interested person has obtained fees or other remuneration in relation to the transactions, the amount of remuneration;
  - (xi) the date of the delivery of the document; and
  - (xii) other matters which would serve as reference information.
- (5) The cases to be specified by Cabinet Office Order, as provided in the proviso to Article 29, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act are as follows:
- (i) the cases where the beneficiary is a qualified institutional investor, etc.; where prior consent to omission of delivery of a document has been obtained from the beneficiary (if an agent for the beneficiary currently exists, including the agent for the beneficiary; the same applies below in this item) in writing or by the electronic or magnetic means; and if the system has been established so that a response can be made promptly to inquiries on individual transactions from the beneficiary;
  - (i)-2 the cases where the beneficiary is a beneficiary of beneficial interest in bearer form in a trust for which beneficiary securities have been issued; and where the system has been established so that a document can be delivered to the beneficiary whose name and address are already known to the life insurance company, etc. carrying out insurance proceeds trust business, and a document can also be delivered promptly upon request from other persons;
  - (ii) the cases where transactions referred to in the items of Article 29, paragraph (2) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act have been carried out only by instruction from a settlor or a person entrusted with the authority to give instruction by the settlor (excluding cases where these persons fall under those stated in the items of Article 13-7, paragraph (1) of the Cabinet Order)

- or from a beneficiary or a person entrusted with the authority to give instruction by the beneficiary; where prior consent to omission of delivery of a document has been obtained from a beneficiary (if a trust manager or an agent for the beneficiary currently exists, including the trust manager or the agent for the beneficiary; the same applies below in this item) in writing or by the electronic or magnetic means, and if the system has been established so that a response can be made promptly to inquiries on individual transactions from the beneficiary;
- (iii) when a trust manager or an agent for a beneficiary currently exists, if a document is to be delivered to the trust manager or the agent for the beneficiary;
  - (iv) the cases where prior consent has been obtained from a beneficiary in writing or by the electronic or magnetic means to the effect that the delivery of a document provided in Article 29, paragraph (3) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 99, paragraph (8) of the Act is replaced with the provision of the details of each of the transactions referred to in the items of paragraph (2) of the same Article in writing or by the electronic or magnetic means, and where the details of the transactions are provided to a beneficiary in writing or by the electronic or magnetic means;
  - (v) the cases where the trust has been accepted by way of a trust agreement with provision for compensation of principal, and where the system has been established so that a response can be made promptly to inquiries on individual transactions from a beneficiary;
  - (vi) the cases where transactions stated in paragraph (3), item (ii), (a) and (b) are carried out;
  - (vii) the cases where monetary claims (limited to those related to call loans, those indicated in the form of negotiable certificates of deposits, or those related to deposits or savings to financial institutions) are acquired or transferred;
  - (viii) the cases where beneficial interest in a monetary trust with an agreement on compensation of principal under Article 6 (Conclusion of a Trust Contract on Compensation of Loss) of the Act on Engagement in Trust Business by Financial Institutions is acquired or transferred;
  - (ix) the cases where the trust with certificate of beneficial interest has been accepted and all of the following requirements are satisfied:
    - (a) that the beneficial interest related to the trust with certificate of beneficial interest is listed on a financial instruments exchange and does not fall under the category of specified listed securities or falls under the category of securities for professional investors;
    - (b) that the requirements specified in 1. or 2. below are satisfied in

accordance with the categories of cases as respectively stated in 1. or 2.:

1. when the beneficial interest is listed on the financial instruments exchange (excluding the case where the beneficial interest falls under the category of specified listed securities): that the information related to the matter to be stated in the report on the status of trust property is adequately disclosed by the disclosure method specified by the financial instruments exchange;
  2. when the beneficial interest falls under the category of securities for professional investors: the information related to the matters to be stated in the report on the status of trust property is provided or disclosed pursuant to the provisions of Article 27-32, paragraph (1) or paragraph (2) (Provision or Disclosure of Information on the Issuer) of the Financial Instruments Exchange Act as the information on the Issuer as prescribed in paragraph (1) of the same Article;
- (c) that the system has been established so that the report on the status of trust property may be promptly delivered upon the request from the beneficiary; and
- (d) that it is provided by the terms of trust of the trust with certificate of beneficial interest to the effect as provided in (b) above or to the effect that the report on the status of trust property is not delivered unless it is requested from the beneficiary.

(Means of Public Notice of Major Change to Trust)

Article 52-25 The public notice under Article 29-2, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act must be given in accordance with the means of public notice used by a life insurance company, etc. carrying out insurance proceeds trust business.

(Special Provisions for Trust for Which Beneficiary Securities Have Been Issued Related to Public Notice of Major Change to Trust)

Article 52-26 When a life insurance company, etc. carrying out insurance proceeds trust business, which is the trustee of the trust for which beneficiary securities have been issued, gives a public notice pursuant to the provisions of the preceding Article, the life insurance company, etc. carrying out insurance proceeds trust business must give a notice of the matters stated in the items of Article 29-2, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99 of the Act separately to each beneficiary of beneficial interest in bearer form whose name and address are already known to it.

(Matters to Be Publicly Noticed or Noticed Concerning Major Change to Trust)

Article 52-27 The matters to be specified by Cabinet Office Order, as provided in Article 29-2, paragraph (1), item (iii) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are as follows:

- (i) the grounds for making a major change, etc. to the trust;
- (ii) the details of the major change, etc. to the trust;
- (iii) the scheduled date of the major change, etc. to the trust;
- (iv) the period for making objections; and
- (v) the method for making objections.

(When No Major Change to Trust May Be Allowed)

Article 52-28 The time to be specified by Cabinet Office Order, as provided in Article 29-2, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act is when the details of each beneficial interest are not the same and when the equity interest of the beneficial interest in the trust in the trust property (referred to below as the "interest in principal" in this Article and the following Article) exceeds 50 percent of the total of the interest in principal of the beneficial interest in the trust as of the time of giving a public notice or a notice pursuant to the provisions of Article 29-2, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act.

(Criteria for Granting Approval for Beneficiaries on Exclusion from Application of Major Change to Trust)

Article 52-29 The amount to be specified by Cabinet Office Order, as provided in Article 29-2, paragraph (4), item (ii) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act is, when the details of each beneficial interest are not the same, the total of the interest in principal of the beneficial interest in the trust.

(Matters to Be Explained Concerning the Scope of Reimbursement or Advanced Payment of Costs)

Article 52-30 The matters to be specified by Cabinet Office Order, as provided in Article 29-3 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are as follows:

- (i) the matters concerning the trust fees;
- (ii) the matters concerning taxes and other costs for the trust property;
- (iii) the matters concerning the risk of losing the beneficial interest in trust;
- and
- (iv) if there are any costs, etc. (meaning costs, etc. provided in Article 48,

paragraph (1) of the Trust Act) or trust fees that have been determined by the time when intending to reach an agreement as provided in Article 48, paragraph (5) of that Act (including as applied mutatis mutandis pursuant to Article 54, paragraph (4) of that Act), the amount.

(Maximum Profit Rate of Contract to Fill in Profits)

Article 52-31 If a life insurance company, etc. carrying out insurance proceeds trust business concludes, in advance, a contract to provide to the effect that a certain amount of profits is to be filled in pursuant to the provisions of Article 6 of the Act on Engagement in Trust Business by Financial Institutions as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, the profit rate must not exceed the rate specified by the Commissioner of the Financial Services Agency.

(Trust Contract That Allows Compensation of Losses)

Article 52-32 Trust contracts to be specified by Cabinet Office Order, as provided in Article 6 of the of the Act on Engagement in Trust Business by Financial Institutions as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act are trust agreements other than those aiming to invest over 50 percent of the total amount of the trust property related to the trust agreements in any of the following assets:

- (i) securities (meaning securities provided d in Article 2, paragraph (1) (excluding items (xii) and (xiv)) of the Financial Instruments and Exchange Act (including rights that are deemed to be securities pursuant to the provisions of paragraph (2) of the same Article); the same applies in item (v));
- (ii) rights related to derivative transactions;
- (iii) rights related to transactions on a commodity market, foreign commodity market transactions and over-the-counter commodity derivative transactions;
- (iv) beneficial interest in trust of money aiming to invest mainly in the assets stated in the preceding items (excluding beneficial interest that falls under those stated in item (i)); or
- (v) beneficial interest in trust into which securities are entrusted.

(Measures Concerning Business Operation)

Article 53 (1) An insurance company must take the following measures for its business, pursuant to the provisions of Article 100-2, paragraph (1) of the Act:

- (i) in relation to an insurance contract stated in Article 74, paragraph (3) (excluding insurance contracts stated in Article 83, item (i), (b) and (d)), measures to have a life insurance agent or a non-life insurance agent prepare and deliver to the policyholder a document stating the investment status of

- the assets under the insurance contract (referred to as the "investment status report" in paragraph (5)) for each subject period, without delay;
- (ii) in relation to an insurance contract for a third sector insurance for which provisions concerning the rights to modification of base rates are stated in a document stated in Article 4, paragraph (2), item (iii) of the Act, measures to have a life insurance agent or a non-life insurance agent deliver to the policyholder a document stating the following matters for each year:
    - (a) whether or not the case meets the criteria for exercise of right to modification of base rates;
    - (b) changes in the indicators showing the actual incidence rate against the assumed incidence rate provided in the criteria for exercise of right to modification of base rates;
    - (c) other matters which would serve as reference information for determining whether or not the case meets the criteria for exercise of right to modification of base rates;
  - (iii) measures to enhance capacity of a life insurance agent or a non-life insurance agent to conduct fair insurance solicitation;
  - (iv) in concluding an insurance contract, conducting insurance solicitation, soliciting subscription to an insurance contract related to a group insurance (meaning a group insurance as provided in Article 294, paragraph (1) of the Act; the same applies below excluding Appended Tables) which was concluded by it or for which insurance solicitation was conducted by it, or engaging in other acts to make a person subscribe to the insurance contract (including the relevant acts to make a person subscribe to the insurance contract conducted by a person other than the person who conducted insurance solicitation for the insurance contract related to the group insurance and excluding the relevant acts to make a person subscribe to the insurance contract in cases where the policyholder related to the group insurance or a person specified in Article 227-2, paragraph (1) conducts the relevant act to make a person subscribe to the insurance contract in the case stated in the items of paragraph (2) of the same Article; the same applies in Article 211-30, paragraph (1), item (iv) and Article 227-2, paragraph (3), item (ii)), measures to ensure that an insurance company, a life insurance agent or a non-life insurance agent provides the policyholder and insured (excluding an insured under paragraph (9), item (i), (a) through (d) of that Article; the same applies in Article 53-12-2, Article 211-30, paragraph (1), item (iv) and Article 234-21-2, paragraph (1)) with explanations in relation to the terms and conditions of insurance contract and other information which would serve as reference information for the policyholder, etc., by delivering a document containing important matters of the details of the insurance contract or by other appropriate methods;

- (a) the types of insurance concerning the existing contract and the new insurance contract, the amounts of insurance proceeds, the insurance periods, insurance premiums (amounts are to be stated for each of the general policy conditions and other major special provisions for benefits), the periods for paying insurance premiums, and other material matters concerning insurance contracts;
- (b) the fact that there is a way to review the insurance details, while maintaining the existing contract, and the way;
- (v) in relation to an insurance contract related to a group insurance for which an act to make a person subscribe to an insurance contract is conducted under the items of Article 227-2, paragraph (2), measures to ensure that necessary information is properly provided by the policyholder related to the group insurance to a person subscribed to the insurance contract related to the group insurance and that the intention of the person subscribed to the insurance contract is properly confirmed by the policyholder;
- (vi) in relation to the underwriting of an insurance contract stated in Article 83, item (i), (a), the following measures (limited to the case where an insurance contract that falls under the performance-linked insurance contract (meaning a performance-linked insurance contract as provided in Article 100-5, paragraph (1) of the Act; the same applies in Articles 54-4 and 54-6) was underwritten from the policyholder of the insurance contract):
  - (a) in cases where the insurance company has come to know that a surviving employees' pension fund (meaning a surviving employees' pension fund as provided in Article 3, item (xi) (Definitions) of the Supplementary Provisions of the Act for Partial Revision to the Employees' Pension Insurance Act, etc. to Ensure the Soundness and Reliability of the Public Pension System (Act No. 63 of 2013; referred to below as the "2013 Act Revising the Employees' Pension Act, etc." in this item and Article 83, item (i)); the same applies below in this item and Article 83, item (i), (a)) is likely to violate the provisions of Article 39-15, paragraph (1) (Management of Pension Benefit Funds) of the Cabinet Order for Employees' Pension Fund (Cabinet Order No. 324 of 1966) prior to repeal under Article 1 (Repeal of Cabinet Order for Employees' Pension Fund) of the Cabinet Order on Revision, etc. of Related Cabinet Orders Accompanying the Enforcement of the Act for Partial Revision to the Employees' Pension Insurance Act, etc. to Ensure the Soundness and Reliability of the Public Pension System (Cabinet Order No. 73 of 2014), which is to remain in force pursuant to the provisions of Article 3, paragraph (2) (Replacement of Terms Concerning Surviving Employees' Pension Fund) of the Cabinet Order on Transitional Measures Accompanying the Enforcement of the Act for Partial Revision to the

- Employees' Pension Insurance Act, etc. to Ensure the Soundness and Reliability of the Public Pension System (Cabinet Order No. 74 of 2014), measures to ensure that the relevant fact is notified to the surviving employees' pension fund to that effect;
- (b) when a surviving employees' pension fund indicates, pursuant to the provisions of Article 136-4, paragraph (3) (Basic Policies Concerning Management of Pension Benefit Funds) of the Employee's Pension Insurance Act prior to revision (Act No. 115 of 1954; referred to as the "Employees' Pension Insurance Act Prior to Revision" in Article 83, item (i)) pursuant to Article 1 (Partial Revision of the Employee's Pension Insurance Act) of the 2013 Act Revising the Employees' Pension Act, etc., which is to remain in force pursuant to the provisions of Article 5, paragraph (1) (Effect of the Employees' Pension Insurance Act Prior to Revision Pertaining to Surviving Employees' Pension Fund) of the Supplementary Provisions of the 2013 Act Revising the Employees' Pension Act, etc., the matter provided in Article 136-4, paragraph (3) of the Employee's Pension Insurance Act prior to revision, measures to ensure that an explanation is given to the surviving employees' pension fund in an appropriate manner in light of the knowledge, experience and status of properties of the surviving employees' pension fund and the purpose of concluding an insurance contract with respect to the outlook of profits and possibility of losses due to investing in the properties belonging to the special account in accordance with what has been indicated by the surviving employees' pension fund;
- (c) measures to secure the act of not making a conclusive statement, or telling a misleading message to the surviving employees' pension fund so that it may believe that a certain amount will be obtained in the future as benefit whose amount is uncertain in relation to the investment in the properties belonging to the special account;
- (vii) in relation to an insurance contract stated in Article 74, items (i) or (iii), measures to ensure that a life insurance agent or a non-life insurance agent prepares and delivers to the policyholder a document stating the investment status of the assets under the insurance contract (referred to below as an "investment status report") for each subject period specified in (a) or (b) below, according to the categories of the insurance contract as stated in (a) or (b), without delay:
- (a) an insurance contract stated in Article 74, item (i): a period not exceeding one year (in the case of an insurance contract stated in Article 83, item (i), (a) and (c), three months);
- (b) an insurance contract stated in Article 74, item (iii): one year;
- (vii)-2 to (x) (Omitted);

- (xi) in relation to the underwriting of an insurance contract stated in Article 83, item (i), (a), the following measures (limited to the case where an insurance contract which is a performance-linked insurance contract provided in Article 118, paragraph (1) of the Act is underwritten for a policyholder of the insurance contract):
- (a) in cases where the insurance company has come to know that an employees' pension fund is likely to violate the provisions of Article 39-15, paragraph (1) (Management of Pension Benefit Funds) of the Cabinet Order for Employees' Pension Fund (Cabinet Order No. 324 of 1966), measures to ensure that the employees' pension fund receives a notice to that effect;
  - (b) when an employees' pension fund indicates, pursuant to the provisions of Article 136-4, paragraph (3) (Basic Policies Concerning Management of Pension Benefit Funds) of the Employee's Pension Insurance Act (Act No. 115 of 1954), the matters provided in the same paragraph, measures to ensure that an explanation is given to the employees' pension fund in an appropriate manner in light of the knowledge, experience and status of properties of the employees' pension fund and the purpose of concluding an insurance contract with respect to the outlook of profits and possibility of losses due to investing in the properties belonging to the special account in accordance with what has been indicated by the employees' pension fund;
  - (c) measures to secure the act of not making a conclusive statement, or telling a misleading message to the employees' pension fund so that it may believe that a certain amount will be obtained in the future as benefit whose amount is uncertain in relation to the investment in the properties belonging to the special account.
- (2) In lieu of the delivery of a document prescribed in items (i) or (ii) of the preceding paragraph, a life insurance agent or a non-life insurance agent may provide the matters to be stated in the document by the electronic or magnetic means, with the consent from the policyholder, as specified in the following paragraph. In this case, it is deemed that the life insurance agent or the non-life insurance agent has made the delivery.
- (3) When a life insurance agent or a non-life insurance agent intends to provide the matters referred to in the preceding paragraph by electronic or magnetic means, the life insurance agent or the non-life insurance agent must indicate the types and the details of the electronic or magnetic means stated in the following items that the life insurance agent or the non-life insurance agent intends to use to the policyholder and obtain prior consent in writing or by electronic or magnetic means.
- (i) the method stated in the items of Article 54-5, paragraph (1), as applied mutatis mutandis pursuant to paragraph (7) following the deemed

- replacement of terms, that is used by a life insurance agent or non-life insurance agent;
- (ii) the method of recording into a file.
- (4) A life insurance agent or a non-life insurance agent who has obtained the consent under the preceding paragraph may not provide the matters to be stated in the document to the policyholder by electronic or magnetic means when the policyholder states, either in writing or by the electronic or magnetic means, to the effect that the policyholder will not receive the provisions of the matters by electronic or magnetic means; provided, however, that this does not apply if the policyholder has given consent under the provisions of the same paragraph again.
- (5) The term "subject period" as referred to in paragraph (1), item (vii) means the period from the day following the immediately preceding base date (meaning the date used as the base date for preparing the document; the same applies below in this paragraph and the following Article) (if the investment report is prepared for the first time, the first-mentioned day is the day on which investment in the properties belonging to the special account is started) until the base date of the investment status report.
- (6) The subject period as referred to in paragraph (1), item (i) must not exceed one year.
- (7) The provisions of Article 54-5 apply mutatis mutandis to the electronic or magnetic means provided in paragraph (2). In this case, the terms "by an insurance company" and "Article 105, paragraph (2) of the Act" in item (i), paragraph (1) of that Article are deemed to be replaced with "by a life insurance agent or non-life insurance agent" and "Article 53, paragraph (2)," respectively; the term "the insurance company" in that item is deemed to be replaced with "the life insurance agent or non-life insurance agent"; the term "used by the insurance company" in that item is deemed to be replaced with "used by the life insurance agent or non-life insurance agent"; the term "Article 100-5, paragraph (2) of the Act" in that item is deemed to be replaced with "Article 53, paragraph (2)"; the phrase "the last date of investment of money received as insurance premiums" in paragraph (2) of that Article is deemed to be replaced with "the reference date (meaning the last date of investment of money received as insurance premiums in the subject period, in case of an insurance contract provided in Article 53, paragraph (1), item (i), or the last day of provision of the matters provided in item (ii) of that paragraph by electronic or magnetic means, in case of an insurance contract provided in that item)"; the term "Article 14-2, paragraph (1) of the Order" in that paragraph is deemed to be replaced with "Article 53, paragraph (3)"; and the term "used by the insurance company" in paragraph (3) of that Article is deemed to be replaced with "used by the life insurance agent or non-life insurance agent."

(Prevention of Misidentification Between Monetary Claims and Insurance Contracts)

Article 53-2 (1) When an insurance company deals in the following instruments, it must make an explanation to prevent customers from misidentifying the instruments with insurance contracts by delivering a document or by any other appropriate means, in accordance with the method of its business, in light of the customer's knowledge, experience, property status, and the purpose of transactions:

(i) monetary claims provided in Article 98, paragraph (1), item (iv) of the Act;

or

(ii) securities stated in Article 33, paragraph (2), items (i) through (iv) of the Financial Instruments and Exchange Act (excluding national government bond securities, etc. (meaning securities stated in Article 2, paragraph (1), items (i) and (ii) of that Act and securities stated in items (iii) and (v) of the same paragraph (limited to those for which the government guarantees redemption of principal and interest payments); the same applies in Article 59-2, paragraph (1), item (v), (e), 7.) and those falling under the category of securities stated in the preceding item).

(2) When an insurance company makes explanations as provided in the preceding paragraph, it is to explain the following matters (for corporate bonds (excluding short-term bonds) issued by the insurance company, excluding the matters stated in items (iii) and (iv)):

(i) that the instruments are not insurance contracts;

(ii) that they do not fall under the category of covered insurance contracts as provided in Article 270-3, paragraph (2), item (i) of the Act (referred to as the "covered insurance contracts" in Article 227-2, paragraph (3), item (xii), (a) and item (xiv) and Article 234-21-2, paragraph (1), item (x), (a));

(iii) that the redemption of the principal is not guaranteed;

(iv) the contract parties; and

(v) other matters that are deemed to serve as reference information for preventing misidentification with insurance contracts.

(3) When an insurance company deals in the instruments stated in the items of paragraph (1) at its business office or any other office, it must present the matters provided in items (i) through (iii) of the preceding paragraph in a manner in which customers can easily notice them at a place in the business office or any other office.

(Dealing of Beneficiary Certificates by Renting a Branch to a Settlor Company of an Investment Trust)

Article 53-3 When a settlor company of an investment trust or an asset

investment company (meaning an asset investment company provided in Article 2, paragraph (21) of the Act on Investment Trust and Investment Corporation; the same applies below) deals in beneficiary certificates or investment securities by using part of an insurance company's business office or any other office, the insurance company must clearly segregate the place where the insurance company deals in insurance contracts and the place where the settlor company of an investment trust or the asset investment company deals in beneficiary certificates or investment securities, and must take appropriate measures such as avoiding any display that may cause misunderstanding of customers.

(Prevention of Misidentification Between Insurance Company and Other Persons)

Article 53-3-2 When an insurance company conducts its business by the use of a computer connected via telecommunications line, it must take appropriate measures to prevent customers from misidentifying the insurance company with other persons.

(Measures Concerning Business Operations When Having Banks Conduct Insurance Solicitation)

Article 53-3-3 When an insurance company has a life insurance agent or a non-life insurance representative that falls under the category of banks, etc. conduct insurance solicitation, it must establish policies for entrusting (including the re-entrustment pursuant to the provisions of Article 275, paragraph (3) of the Act; the same applies in Article 53-8 and Article 53-11, paragraph (1)) business to a bank, etc., accurately ascertain the status of insurance solicitation by the bank, etc., and take other necessary measures, so that excessive insurance solicitation by the bank, etc. based on their credibility might not hinder healthy and proper business operations and fair insurance solicitation by the insurance company.

(Prevention of Misidentification Related to Joint Visit with Financial Institution Falling under Person in Specified Relationship)

Article 53-4 (1) An insurance company must take measures to ensure that, where a life insurance agent or a non-life insurance agent, who works with the insurance company as the affiliated insurance company, etc., visits a customer, upon insurance solicitation, together with the director, an accounting advisor or member who is to perform their duties, a company auditor, an executive officer (including the president, an auditor, or other equivalent persons; the same applies in Article 53-6), or an employee of a financial institution that falls under a specified related party with the insurance company, the life

insurance agent or non-life insurance agent makes explanations to the customer by delivering a document stating such fact as that the insurance company and the financial institution are different corporations.

(2) A "specified related party" provided in the preceding paragraph is as follows:

- (i) a subsidiary company of the insurance company;
- (ii) a subsidiary company of an insurance holding company which has the insurance company as its subsidiary company (excluding the insurance company and that stated in the preceding item);
- (iii) a subsidiary corporation, etc. of the insurance company (excluding those stated in the preceding two items);
- (iv) the Parent Corporation, etc. which has the insurance company as its subsidiary corporation, etc. (excluding an insurance holding company);
- (v) a subsidiary corporation, etc. of the parent corporation, etc. which has the insurance company as its subsidiary corporation, etc. (excluding the insurance company and those stated in the preceding items);
- (vi) an affiliated corporation, etc. of the insurance company;
- (vii) when the insurance company is an affiliated corporation, etc. of other corporation, etc., the relevant other corporation, etc.;
- (viii) an affiliated corporation, etc. of the parent corporation, etc. which has the insurance company as its subsidiary corporation, etc. (excluding that stated in item (vi)); and
- (ix) the following corporation, etc. related to an insurance company's major shareholder who holds the voting rights of the insurance company that amount to the major shareholder threshold or more and who holds the voting rights related to the insurance company that amount to over 50 percent of all shareholders' voting rights in the insurance company (the relevant major shareholder of insurance company is limited to an individual; referred to below as a "specified individual major shareholder of insurance company" in this item) (such corporation, etc. excludes the insurance company):
  - (a) a corporation, etc. over 50 percent of all of whose shareholders' voting rights are held by the specified individual major shareholder of insurance company (including a subsidiary corporation, etc. and an affiliated corporation, etc. of the corporation, etc.); or
  - (b) a corporation, etc. 20 percent or more but 50 percent or less of all of whose shareholders' voting rights are held by the specified individual major shareholder of insurance company.

(3) A "financial institution" provided in the preceding paragraph is as follows:

- (i) a bank (meaning a bank provided in Article 2, paragraph (1) (Definitions) of the Banking Act; the same applies below);
- (ii) a long term credit bank;
- (iii) a foreign person conducting the banking business;

- (iv) Federations of Shinkin Banks;
  - (v) Federations of Labor Banks; or
  - (vi) federations of cooperatives that conduct the business referred to in Article 9-9, paragraph (1), item (i) (Federations of Cooperatives) of the Act on the Cooperative Associations of Small and Medium Enterprises, etc.
- (4) In lieu of the delivery of a document under paragraph (1), a life insurance agent or a non-life insurance agent may provide the matters to be stated in the document by electronic or magnetic means, with the consent from the customer, as specified in the following paragraph. In this case, it is deemed that the life insurance agent or the non-life insurance agent has made the delivery.
- (5) When a life insurance agent or a non-life insurance agent intends to provide the matters referred to in the preceding paragraph by electronic or magnetic means, the life insurance agent or the non-life insurance agent must indicate the types and the details of the electronic or magnetic means stated in the items of Article 14-10 that the life insurance agent or the non-life insurance agent intends to use to the customer and obtain prior consent in writing or by electronic or magnetic means.
- (6) A life insurance agent or a non-life insurance agent who has obtained the consent under the preceding paragraph may not provide the matters to be stated in the document to the customer by electronic or magnetic means when the customer states, either in writing or by the electronic or magnetic means, to the effect that the customer will not receive the provisions of the matters by electronic or magnetic means; provided, however, that this does not apply if the customer has given consent under the provisions of the same paragraph again.

Article 53-5 Deleted.

(Treatment of Non-Disclosure Finance Information Concerning Customers of Financial Institution Falling under Person in Specified Relationship)

Article 53-6 (1) An insurance company must take measures to ensure that any non-disclosure finance information concerning a customer handled by a financial institution (meaning a financial institution provided in Article 53-4, paragraph (3)) that falls under a specified related party (meaning a specified related party provided in paragraph (2) of the same Article) with the insurance company while conducting its business (excluding business related to insurance solicitation) (such non-disclosure finance information means information concerning customers' deposits, exchange trades, or borrowing of funds or other non-disclosure information concerning customers' financial transactions or assets which may come to knowledge of any the officers or employees in the course of their duties (excluding information provided in Article 53-9 and special non-disclosure information provided in Article 53-10)) is not to be used

for any business related to insurance solicitation without obtaining prior consent from the customer in writing or by any other appropriate means.

- (2) In lieu of consent in writing from a customer under the preceding paragraph, an insurance company may provide the matters to be stated in the document by the electronic or magnetic means by obtaining consent from the customer, as prescribed in the following paragraph. In this case, it is deemed that the insurance company has obtained consent in writing from the customer.
- (3) When an insurance company intends to provide the matters to be stated in the document pursuant to the provisions of the preceding paragraph, it must indicate the types and the details of the electronic or magnetic means stated in the items of Article 14-10 that it intends to use to the customer and obtain prior consent in writing or by the electronic or magnetic means.
- (4) An insurance company that has obtained the consent under the preceding paragraph may not obtain prior consent from the customer by the electronic or magnetic means when the customer states, either in writing or by the electronic or magnetic means, to the effect that the customer may not give consent by the electronic or magnetic means; provided, however, that this does not apply if the customer has given consent under the provisions of the same paragraph again.

(Specified Transaction Account)

Article 53-6-2 (1) When an insurance company carries out specified transactions and meets all the following requirements, it must establish a special account (referred to below as a "specified transaction account") so as to deal specified transactions and property for specified transactions separately from other transactions and property. In this case, this does not preclude an insurance company that does not meet either or any of the following requirements from establishing a specified transaction account:

- (i) that the largest sum of the account for trading securities and account for trading securities sold for short sales between the term end before the most recent term end and the most recent term end is not less than 100 billion yen and not less than the amount equivalent to 10 percent of the net assets as of the term end before the most recent term end; and
  - (ii) the sum of the account for trading securities and account for trading securities sold for short sales as of the most recent term end is not less than 100 billion yen and not less than the amount equivalent to 10 percent of the net assets as of that term end.
- (2) Specified transactions referred to in the preceding paragraph mean, out of market transactions of derivatives and foreign market derivatives transactions that an insurance company carries out, on its own account, for the purpose of obtaining profits by using short-term fluctuations or market gaps, etc. in

interest rates, currency prices, quotation or other indicators in financial instruments exchange markets (referred to as the "indicators" in paragraph (5)) or for the purpose of decreasing losses that may occur from transactions carried out for that purpose, transactions other than those falling under the category of transactions of securities-related derivatives and the following transactions:

- (i) buying and selling of securities (limited to buying and selling of national government bonds, etc. (meaning national government bonds, municipal bonds, or government guaranteed bonds (meaning corporate bonds or any other bonds, for which the government guarantees redemption of principal and interest payments; the same applies below); the same applies below in this Article), securities stated in Article 2, paragraph (1), items (iv), (v), and (viii) (Definitions) of the Financial Instruments and Exchange Act (regarding securities stated in items (iv) and (v) of the same paragraph, excluding those related to short-term corporate bonds stated in Article 98, paragraph (6), item (i) of the Act, short-term corporate bonds stated in item (v) of the same paragraph, and specified short-term corporate bonds stated in item (vi) of the same paragraph; referred to below as "specified trading bonds" in this item), or securities or certificates issued by a foreign state or a foreign corporation that have a nature of national government bonds or specified trading bonds, and transactions stated in Article 28, paragraph (8), item (iii), (a) and item (iv), (a) (General Rules) of the Financial Instruments and Exchange Act) and transactions of securities-related derivatives (excluding transactions stated in item (iii), (a) and item (iv), (a) of the same paragraph and those stated in items (xiv) and (xv));
- (ii) acceptance of national government bonds, etc. (limited to transactions in which a contract is concluded to the effect that, upon issuance of national government bonds, etc., where there are no other persons to acquire the national government bonds, etc. in whole or in part, the insurance company will acquire the remaining part; the same applies in paragraph (5));
- (iii) acceptance of securities stated in Article 2, paragraph (1), item (iv) of the Financial Instruments and Exchange Act (excluding those related to specified short-term corporate bonds provided in Article 98, paragraph (5) of the Act), securities stated in Article 2, paragraph (1), items (viii) and (xiii), and securities stated in item (v) of the same paragraph (excluding those related to short-term corporate bonds; the same applies below in this item) and securities stated in item (xvii) of the same paragraph (limited to those that have a nature of securities stated in item (v) of the same paragraph), all of which are securities provided in Article 15-17, paragraph (1), item (ii) (Securities Similar to Short-Term Company Bonds) of the Order for Enforcement of the Financial Instruments and Exchange Act and paragraph

- (3) of the same Article (those securities are referred to below as "asset backed securities" in this item and item (v)) (limited to transactions in which a contract is concluded to the effect that, upon issuance of asset backed securities, where there are no other persons to acquire the asset backed securities in whole or in part, the insurance company will acquire the remaining part; the same applies in paragraph (5));
- (iv) acquisition or transfer of monetary claims (limited to those to be indicated with certificates stated in Article 52, item (i), (ii), (iv), (vi), or (viii) or bills accepted by banks in yen (meaning bills of exchange related to trading that a bank or other financial institution has accepted, whose values are indicated in Japanese currency));
- (iv)-2 acquisition or transfer of short-term corporate bonds, etc.;
- (v) out of over-the-counter transactions of derivatives (meaning over-the-counter transactions of derivatives provided in Article 2, paragraph (22) of the Financial Instruments and Exchange Act; the same applies in paragraph (5)), transactions other than those falling under the category of transactions of securities-related derivatives;
- (vi) deleted;
- (vii) foreign exchange futures transactions;
- (viii) and (ix) deleted;
- (x) commodity derivatives transactions;
- (xi) transactions stated in Article 52-3, paragraph (1), item (ii);
- (xii) deleted;
- (xiii) transactions stated in Article 52-3, paragraph (1), item (iii);
- (xiv) over-the-counter transactions of securities-related derivatives (meaning over-the-counter transactions of securities-related derivatives provided in Article 98, paragraph (9) of the Act) that can be carried out pursuant to the provisions of Article 98, paragraph (1), item (x) of the Act;
- (xv) buying or selling or acceptance of securities related to the business that may be conducted pursuant to the provisions of Article 99, paragraph (1) of the Act and transactions of securities-related derivatives;
- (xvi) acquisition or transfer of the carbon dioxide equivalent quotas related to the business stated in Article 99, paragraph (2), item (iv) of the Act; and
- (xvii) beyond the transactions stated in the preceding items, transactions that are similar to or closely related to the transactions or market transactions of derivatives and foreign market transactions of derivatives (excluding those falling under the category of transactions of securities-related derivatives).
- (3) A company that establishes a specified transaction account may not conduct the following acts; provided, however, that this does not apply when it conducts the acts within the scope of the matters stated in a document stated in Article 85, paragraph (3), item (v):

- (i) to transfer transactions or property which have been accounted for under the specified transaction account to any other accounts; or
  - (ii) to transfer transactions or property other than those which have been accounted for under the specified transaction account to the specified transaction account.
- (4) The acts referred to in the preceding paragraph are to include transactions stated in paragraph (2), items (i) through (iv) and item (xv) carried out at a single insurance company between its specified transaction account and other accounts (including transactions that are deemed to be specified transactions, pursuant to the provisions of item (xvii) of the same paragraph, as being similar to or closely related to the transactions).
- (5) A company that establishes a specified transaction account must take measures necessary for properly account for the amount equivalent to profits or losses related to specified transactions that have not been settled as of the end of a business year, by such means as deeming the amount to be as specified in the following items, in accordance with the category of transactions stated in those items:
- (i) market transactions of derivatives and foreign market transactions of derivatives (excluding those falling under the category of transactions of securities-related derivatives): the amount based on the difference to be paid or received if transactions are deemed to have been settled at the closing price as of the final day of the business year at a financial instruments exchange or a foreign Financial instruments market, or the amount calculated as being equivalent thereto, in accordance with a reasonable method;
  - (ii) over-the-counter transactions of derivatives (excluding transactions stated in Article 2, paragraph (22), items (iii), (iv), and (vi) of the Financial Instruments and Exchange Act and those falling under the category of transactions of securities-related derivatives) and foreign exchange futures transactions: the amount obtained by discounting the amount that the parties had undertaken to pay or receive through the transactions (if the amount has not been determined as of the final day of the business year, the amount calculated based on the estimated figure of the indicators) to the present value as of the final day of the business year, in accordance with a reasonable method;
  - (iii) over-the-counter transactions of derivatives (limited to transactions stated in Article 2, paragraph (22), items (iii) and (iv) of the Financial Instruments and Exchange Act and excluding those falling under the category of transactions of securities-related derivatives) and transactions stated in Article 52-3, paragraph (1), item (iii): the amount calculated in accordance with a reasonable method, by using the amount that the parties had

undertaken to pay or receive through the exercise of rights as the present value of the transactions as of the final day of the business year (if the amount has not been determined as of the final day of the business year, the amount calculated based on the estimated figure of the indicators), the figure of the indicator related to the exercise of the rights as of the final day of the business year, and the estimated rate of fluctuations of the indicators; or (iv) trading of bonds with options (meaning bond trading wherein one party thereto is entitled to designate the delivery date, and wherein the contract for trading will be cancelled if the party fails to exercise the right within a certain period), acceptance of national government bonds, etc., acceptance of asset backed securities, over-the-counter transactions of derivatives (excluding those falling under transactions stated in the preceding two items), and commodity derivatives transactions: the amount calculated as being equivalent to the amounts stated in the preceding items, in accordance with a reasonable method.

(Internal Rules)

Article 53-7 (1) When an insurance company conducts businesses based on the provisions of Articles 97, 98, and 99 of the Act, it must establish internal rules, etc. (meaning internal rules and other equivalent rules; the same applies below in this Article) concerning the explanations on material matters to customers, in light of the customers' knowledge, experience, the status of their properties, and the purpose of transactions, and other measures to ensure healthy and proper business operations (including the explanations of the details and risks of instruments or transactions and proper understanding of customers' intentions by the delivery of a document or by any other appropriate means and measures to prevent crimes), in accordance with the details and the method of these businesses, and must develop a sufficient system to provide training to employees or otherwise ensure that the businesses are conducted based on the internal rules, etc.

(2) When an insurance company underwrites insurance where insurance premiums are received in exchange for an agreement to pay a fixed amount of insurance proceeds in connection with the death of individuals and the insured is younger than 15 years of age or the insured has not given the insured's consent (excluding insurance that is deemed unlikely to be used unlawfully in either case; referred to below as "insurance against death" in this paragraph), it must establish provisions on the maximum limit of insurance proceeds or other provisions on underwriting in the internal rules, etc. referred to in the preceding paragraph, so as to protect the insured by preventing illegal use of Insurance against Death.

(Measures to Ensure Proper Execution of Business Related to Specified Properties or Provision of Services)

Article 53-12-2 In concluding an insurance contract, conducting insurance solicitation, or soliciting subscription to an insurance contract related to a group insurance which was concluded by it or for which insurance solicitation was conducted by it or engaging in other acts to make a person subscribe to the insurance contract, an insurance company must, when the insurance company, life insurance agent or non-life insurance agent provides explanations to the policyholder or the insured about the fact that when an insured event under the insurance contract occurs, the person entitled to receive the insurance proceeds may receive, at its option, payment of insurance proceeds or direct payment service (meaning, when the person entitled to receive insurance proceeds decides to purchase or accept goods, etc. (meaning goods, rights or services; the same applies below in this Article, Article 227-2, paragraph (3), item (v) and Article 234-21-2, paragraph (1), item (iii)), handled by a business operator partnered with the insurance company (referred to below as a "partnered business operator" in this Article, Article 227-2, paragraph (3), item (v) and Article 234-21-2, paragraph (1), item (iii)) in exchange for all or part of the insurance proceeds under the insurance contract, the making of a payment by the insurance company of all or part of the insurance proceeds to the partnered business operator instead of the person entitled to receive the insurance proceeds in consideration of all or part of the goods, etc.; the same applies below), and about the contents or level of the goods, etc. (limited to cases where the contents or level of the goods, etc., related to the explanation have material influence on the decision on the conclusion of an insurance contract or subscription to an insurance contract; the same applies in Article 227-2, paragraph (3), item (v) and Article 234-21-2, paragraph (1), item (iii)), establish a system to present an appropriate partnered business operator to the person entitled to receive insurance proceeds or take other necessary measures.

(Measures for Security Management of Personal and Customer Information)

Article 53-8 If an insurance company entrusts security management of information concerning individual customers that it handles, supervision of employees, and treatment of the information, it must take necessary and appropriate measures for the supervision of the entrusted party, so as to prevent the leaking, destruction or loss of the information.

(Report of Leakage of Customers' Personal Information)

Article 53-8-2 If the leakage, loss or damage of the information related to the individual customer handled by an insurance company (limited to information

that falls under the category of personal data prescribed in Article 16, paragraph (3) of the Act on the Protection of Personal Information (Act No. 57 of 2003)) has occurred or a situation has arisen where it is likely that such an event has occurred, the insurance company must promptly report to the Commissioner of the Financial Services Agency that the situation has arisen, and take other appropriate measures.

(Treatment of Information on Repayment Ability)

Article 53-9 An insurance company must take measures to ensure that it will not use information of individual fund demanders on their ability to pay provided by a credit information-related organization (meaning an organization that collects information on fund demanders' ability to pay and provide the information to insurance companies) for any purposes other than for the investigation of fund demanders' ability to pay.

(Treatment of Special Non-Disclosure Information)

Article 53-10 An insurance company must take measures to ensure that it will not use information of individual customers on their race, creed, family origin, registered domicile, health and medical care or criminal records, or any other special non-disclosure information (meaning non-disclosure information which has come to knowledge of it in the course of business) that it handles in the course of business for any purposes other than those deemed to be necessary for ensuring proper operation of the business.

(Measures to Ensure Proper Performance of Entrusted Business)

Article 53-11 (1) If an insurance company entrusts its business to a third party (excluding the case where an insurance holding company that belongs to an insurance holding company group (meaning an insurance holding company group provided in Article 100-2, paragraph (2), item (i) of the Act; the same applies below) to which the insurance company is a member, pursuant to the following paragraph, takes measures to ensure the proper execution of the business), it must take the following measures, in accordance with the details of the business:

- (i) measures to entrust the business to a person who has the ability to perform it properly, fairly, and effectively;
- (ii) measures to ensure necessary and appropriate supervision, etc. of a person entrusted with the business (referred to below as the "entrusted party" in this paragraph), such as by confirming the status of the performance of the business on a regular or as-needed basis, in order to verify whether the entrusted party is carrying out the business in an appropriate manner, or having the entrusted party make improvements as needed;

- (iii) measures necessary to appropriately and promptly process complaints from customers concerning the business conducted by the entrusted party;
  - (iv) measures to prevent any interference to the protection of policyholders, etc. in the case of the occurrence of a situation where the entrusted party is unable to carry out the business appropriately, such as by entrusting the business promptly to other appropriate third party; or
  - (v) measures to take necessary measures if it is necessary to ensure healthy and proper business operations of the insurance company and to protect policyholders, etc., such as by changing or canceling the contract related to the entrustment of the business.
- (2) An insurance holding company that takes measures to ensure the precise execution of the relevant business pursuant to Article 100-2, paragraph (2), item (i) of the Act must take measures to ensure the formulation and implementation of policies concerning business management of the insurance holding company containing the following matters:
- (i) the insurance holding company entrusts the business to a company that belongs to the same insurance holding company group and has the ability to perform the business precisely, fairly and efficiently;
  - (ii) the insurance holding company provides necessary and appropriate supervision to the person that has been entrusted with the business (referred to below as the "entrusted person" in this paragraph), in order to inspect whether the entrusted person is executing the business precisely and have the entrusted person improve the business as needed, by confirming the performance of the business by the entrusted person periodically or as needed;
  - (iii) the insurance holding company deals with customer complaints concerning the business executed by the entrusted person appropriately and promptly;
  - (iv) in cases of a situation in which the entrusted person is unable to execute the business appropriately, the insurance holding company requests two or more companies belonging to the same insurance holding company group that have entrusted that person with their business to take measures to prevent problems with the protection of customers in relation to the business, such as immediately entrusting the business to another appropriate third person; and
  - (v) if it is necessary to ensure the sound and appropriate management of the business of two or more companies that belong to the same insurance holding company group entrusted with the business, and for protecting customers in relation to the business, the insurance holding company requests these companies to take necessary measures, such as amending or cancelling the contract related to entrustment of the business.

(Measures to Ensure Information Security Management Regarding Acquisition of Electronic Payment Instruments and Cryptoassets)

Article 53-11-2 (1) An insurance company must take measures to ensure sufficient management of the electronic data processing systems concerning the business involving the acquisition or possession of electronic payment instruments (meaning the electronic payment instruments provided in Article 2, paragraph (5) of the Payment Services Act, and excluding crypto- and other assets; the same applies in paragraph (1) of the following Article), in accordance with the contents and methods of its business.

(2) An insurance company must take measures to ensure sufficient management of the electronic data processing systems concerning the business involving the acquisition or possession of crypto- and other assets and investment advisory business (meaning the investment advisory business provided in Article 28, paragraph (6) of the Financial Instruments and Exchange Act; the same applies in paragraph (2) of the following Article and Article 56-2, paragraph (2), item (xxvi)) relating to crypto- and other assets, in accordance with the contents and methods of its business.

(Measures to Ensure Soundness in Relation to Acquisition of Electronic Payment Instruments and Cryptoassets)

Article 53-11-3 (1) An insurance company must take measures to ensure the soundness of management of the insurance company and to establish systems necessary for ensuring the conduct of the business in a proper and precise manner, with respect to its business involving the acquisition or possession of electronic payment instruments, taking into account the characteristic of the electronic payment instruments, the content of transactions and any other circumstances.

(2) An insurance company must take measures to ensure the soundness of management of the insurance company and to establish systems necessary for ensuring the conduct of the business in a proper and precise manner, with respect to its business involving the acquisition or possession of crypto- and other assets and investment advisory business relating to crypto- and other assets, taking into account the characteristic of the crypto- and other assets, the content of transactions and any other circumstances.

(Adjustment between Specified Early Surrender and revocation or Cancellation of Application for Insurance Contract)

Article 53-12 If an insurance company has received a document or notice by electronic or magnetic record provided in Article 309, paragraph (1) of the Act relating to the revocation or cancellation of an application for an insurance contract that specifies to the effect that a specified early surrender is allowed,

within the period during which a specified early surrender is effective, it must take measures to confirm whether the person who has issued the notice really intends to make a specified early surrender.

(Scope of Business Related to System Development for the Protection of Customers' Interests)

Article 53-13 The business to be specified by Cabinet Office Order, as provided in Article 100-2-2, paragraph (1) of the Act is the business that an insurance company can carry out (referred to below as "insurance-related business").

(Measures Necessary for Prevention of Unreasonably Negative Impact on Customers' Interests)

Article 53-14 (1) An insurance company must take the following measures so that a customer's interests related to the insurance-related business conducted by the insurance company or its subsidiary financial institution, etc. (meaning subsidiary financial institution, etc. provided in Article 100-2-2, paragraph (3) of the Act; the same applies below in this Article) will not be unjustly impaired as a result of transactions carried out by the insurance company, its parent financial institution, etc. (meaning parent financial institution, etc. provided in paragraph (2) of the same Article; the same applies below in this Article), or its subsidiary financial institution, etc.:

- (i) arrangement of a framework to identify the subject transactions by an appropriate means;
- (ii) arrangement of a framework to properly ensure the protection of the customer by the following means or any other means:
  - (a) segregation of the sector to carry out the target transactions and the sector to carry out transactions with the customer;
  - (b) change to conditions or methods of the target transactions or transactions with the customer;
  - (c) suspension of the target transactions or transactions with the customer;or
- (d) properly disclosing to the customer that the customer's interests may be unjustly impaired as a result of the target transactions;
- (iii) establishment of policies for implementing measures stated in the preceding two items and announcement of the outline by appropriate means; and
- (iv) preservation of the following records:
  - (a) records related to the identification of the subject transactions that have been carried out under a system referred to in item (i); and
  - (b) records related to measures to properly ensure the protection of a customer that have been taken under systems referred to in item (ii).

- (2) The records provided in item (iv) of the preceding paragraph must be preserved for five years from the day on which the records were prepared.
- (3) The "subject transactions" referred to in paragraph (1) mean transactions carried out by an insurance company, its parent financial institution, etc., or its subsidiary financial institution, etc. if the transactions may unjustly impair customers' interests related to the insurance-related business conducted by the insurance company or its subsidiary financial institution, etc.

(Unavoidable Grounds for Carrying out Transactions with Person in Specified Relationship)

Article 54 (1) The inevitable grounds to be specified by Cabinet Office Order, as provided in the proviso to Article 100-3 of the Act are as follows:

- (i) when the insurance company conducts transactions or acts that give disadvantages to the insurance company, in light of the ordinary terms and conditions of its transactions, with a specified insurance company (meaning a bankrupt insurance company (meaning a bankrupt insurance company provided in Article 260, paragraph (2) of the Act; the same applies below in this item) and an insurance company and a foreign insurance company that succeeds to the rights and duties of a bankrupt insurance company in whole or in part) that fall under the category of a specified related party (meaning a specified related party provided in the main clause of Article 100-3 of the Act; the same applies below in this paragraph, the following Article, and Article 54-3) with the insurance company, when it is likely to cause detriment to the continuation of the specified insurance company's business if the transactions or acts are not conducted;
- (ii) when the insurance company has a foreign insurer as its subsidiary corporation, etc. or an affiliated corporation, etc. (limited to cases where there are any inevitable grounds that the insurance company cannot establish a branch or other business office in the state where the foreign insurer is located), when it is likely to cause detriment to the continuation of the foreign insurer's business if the insurance company does not carry out transactions or acts with the foreign insurer under similar conditions as those under which it carries out transactions or acts between its head office and its branches or other business offices;
- (iii) if the deterioration of the business conditions of a specified related party with the insurance company is likely to damage the soundness of the insurance company's business conditions, and the insurance company conducts transactions or acts that give disadvantages to the insurance company, in light of the ordinary terms and conditions of its transactions, with the specified related party, based on a plan for the rational improvement of business conditions of the specified related party, when it is

- deemed necessary and indispensable to conduct the transactions or acts for improving the business conditions of the specified related party; or
- (iv) beyond what is stated in the preceding three items, when the Commissioner of the Financial Services Agency specifies, in advance, it as being necessary for the insurance company to conduct transactions or acts that give disadvantages to the insurance company, in light of the ordinary terms and conditions of its transactions, with the specified related party.
- (2) The requirements specified by Cabinet Office Order that is provided for in the proviso to Article 100-3 of the Act is that all of the following requirements be met for transactions and acts undertaken between the insurance company and a subsidiary company (limited to an insurance company other than the relevant insurance company) of the insurance holding company (limited to one that is not itself a subsidiary company of another insurance company or insurance holding company) that has the relevant insurance company as its subsidiary company, which puts the insurance company at a disadvantage in light of the ordinary conditions of its transactions (referred to below as a "specified transaction, etc." in this paragraph):
- (i) the performance of the specified transaction, etc. by the insurance company is unlikely to damage the soundness of the management of the insurance company; and
- (ii) the insurance company has clearly specified the conditions for the specified transaction, etc.

(Transactions with Person in Specified Relationship)

Article 54-2 The transactions or acts to be specified by Cabinet Office Order, as provided in Article 100-3, item (ii) of the Act are as follows:

- (i) transactions carried out with a customer of the specified related party, wherein the insurance company carries out with a person other than a customer of the specified related party who is deemed to be similar to a customer of the specified related party, in light of the type and size of its business and its financial conditions, etc., under conditions that are disadvantageous to the insurance company compared to those for ordinary transactions with a customer of the specified related party for the same type and the same volume under similar circumstances (limited to transactions on condition that the specified related party and a customer of the specified related party concludes a contract related to the business to be conducted by the specified related party);
- (ii) transactions that are deemed to be more disadvantageous to the specified related party, compared to conditions for transactions that the insurance company carries out with a person other than the specified related party who is deemed to be similar to the specified related party, in light of the type and

- size of its business and its financial conditions, etc., for the same type and the same volume under similar circumstances; or
- (iii) transactions or acts conducted so as to evade the prohibitions under Article 100-3, of the Act, irrespective of the name under which the transactions or acts are to be conducted.

(Application for Approval for Transactions with Person in Specified Relationship)

- Article 54-3 (1) If an insurance company seeks to obtain an approval on the existence of compelling reasons under the proviso to Article 100-3 of the Act, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching a written statement of reasons and a document containing any other matters which would serve as reference information.
- (2) When the application for approval under the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether there are any inevitable grounds stated in Article 54, paragraph (1) that the insurance company that has filed the application conducts transaction or acts stated in the items of Article 100-3 of the Act.

Article 54-3-2 (1) If an insurance company seeks to obtain an approval relating to the satisfaction of the requirements under the proviso to Article 100-3 of the Act, it must attach the following documents to a written application for approval and submit them to the Commissioner of the Financial Services Agency:

- (i) a written statement of reasons;
- (ii) the following documents concerning the insurance company:
  - (a) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (in the case where the insurance company is a mutual company, a document on appropriation of surplus or disposition of loss and a statement of changes in funds, etc.), and any other document disclosing the recent status of business, properties, and profits and losses;
  - (b) a document stating an estimation of income and expenditures after obtaining the approval;
- (iii) a document stating the conditions prescribed in Article 54, paragraph (2), item (ii);
- (iv) if the determination of the conditions prescribed in Article 54, paragraph (2), item (ii) requires a resolution at a meeting of the board of directors, the minute of the meeting of the board of directors on this matter; and
- (v) other documents stating matters found to be necessary by the Commissioner of the Financial Services Agency.

- (2) When an application for approval under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether the insurance company that filed the application satisfies all of the requirements stated in Article 54, paragraph (2).

(Matters to Be Stated in Investment Reports)

Article 54-4 (1) The matters to be specified by Cabinet Office Order, as provided in Article 100-5, paragraph (1) of the Act are as follows:

- (i) the subject period (meaning the period from the day immediately following the immediately preceding base date (meaning the date used as the base date in preparing an investment report (meaning the investment report prescribed in Article 100-5, paragraph (1) of the Act; the same applies below in this Article, Article 54-6, item (i) and Article 234-25, paragraph (1), item (vi)-2); the same applies below in this Article and paragraph (2), item (iii) of the following Article) (in cases where the investment report is prepared for the first time, the first-mentioned day is the day on which investment in the properties belonging to the special account is started) until the base date of the investment report; the same applies below in this Article and paragraph (2), item (iii) of the following Article);
  - (ii) the following matters representing the investment status of the properties to be invested based on a performance-linked insurance contract:
    - (a) the progress of investment in the properties belonging to the special account during the subject period (including the major causes of fluctuation in the amount of the properties);
    - (b) transitions of the status of investment in the properties belonging to the special account;
  - (iii) matters related to the investment policies of the properties belonging to the special account during the subject period and the analysis on whether not the investment was made in accordance with the investment policies;
  - (iv) the investment policies on or after the day immediately following the base date; and
  - (v) if an external audit has been conducted with respect to the insurance company's finance or business (limited to those under the performance-linked insurance contract) and when the insurance company receives a report on the external audit during the subject period of the investment report, the name of the person who conducted the external audit, subject and outline of the results of the external audit.
- (2) The investment report prepared in the case where target securities (meaning the target securities prescribed in Article 96, paragraph (4) of the Cabinet Office Order on Financial Instruments Business, etc.; the same applies in Article 234-24, paragraph (1), item (xv)) (excluding those whose ratio of the

amount of holding to the amount of the properties is less than 3 percent) are included in the properties belonging to the special account as of the base date must state the following matters in addition to the matters stated in the items of the preceding paragraph; provided, however, that this does not apply to cases where all of the following matters are stated in the document for delivery prior to conclusion of contract (meaning the document prescribed in Article 37-3, paragraph (1) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 300-2 of the Act following the deemed replacement of terms) or explanatory document on amendment to contract terms (meaning, in cases where any of the matters to be stated in the document for delivery prior to conclusion of contract should be changed in association with the partial change to the insurance contract, the document in which the matters to be stated subject to the change are stated) under the insurance contract which has been delivered to the other party to the insurance contract within one year before the delivery of the investment report or in the investment report:

- (i) the name of the target securities, the method of calculation of the value of the target securities and the matters related to the frequency and method of reporting the value to the person who holds rights related to the target securities;
  - (ii) the trade name or name and the address or location of the issuer of the target securities, the person engaged in an important business related to the investment in the assets invested or contributed by the person who holds rights related to the target securities (the relevant assets are referred to below as the "fund assets" in this item and item (iv)), the person engaged in an important business related to the retention of fund assets and the person engaged in an important business related to the matters stated in the preceding item (limited to the matters related to the method of calculation of the value or the method of reporting as prescribed in that item) that is other than the business related to the investment or retention of the fund assets (the relevant person is referred to below as the "person concerned with the fund" in the following item) and matters concerning the sharing of roles between those persons;
  - (iii) capital relationship and personal relationship between the insurance company and the person concerned with the fund; and
  - (iv) whether or not an external audit has been conducted with respect to the fund assets and if the external audit has been conducted, the person who conducted the external audit.
- (3) The subject period must not exceed one year (or three months in cases where the relevant insurance contract falls under the category of insurance contract stated in Article 83, item (i), (a) and (c); the same applies in paragraph (5),

item (ii)).

- (4) The investment report must be prepared after the lapse of the subject period without delay and delivered to the policyholders of the performance-linked insurance contract.
- (5) The cases to be specified by Cabinet Office Order, as provided in the proviso to Article 100-5, paragraph (1) of the Act are as follows:
- (i) cases where a person living together with the policyholder of the performance-linked insurance contract is expected to definitely receive the investment report and where the policyholder has consented by the base date not to receive the investment report (excluding the cases where the policyholder has made a request for delivery of the investment report by the base date);
  - (ii) cases where a document stating the matters to be stated in the investment report is delivered or electronic or magnetic records in which the matters are recorded are provided to the policyholder of the performance-linked insurance contract for not less than once a year pursuant to the provisions of other laws and regulations; and
  - (iii) cases where the policyholder of the performance-linked insurance contract is deemed to be a professional investor pursuant to the provisions of Article 34-3, paragraph (4) of the Financial Instruments and Exchange Act (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of that Act).

(Method of Using Information and Communication Technology Related to Investment Report)

Article 54-5 (1) The method using an electronic data processing system or any other method using information and communication technology to be specified by Cabinet Office Order, as provided in Article 105, paragraph (2) of the Act is as follows:

- (i) the methods using an electronic data processing system stated below:
  - (a) to transmit the matters to be stated in a document (referred to below as the "matters to be stated" in this Article) via telecommunications line connecting a computer used by an insurance company (including a person which, under the contract with an insurance company providing the matters as provided in Article 105, paragraph (2) of the Act, stores files on a computer it manages and makes the files accessible to the recipient of those matters (referred to below as the "policyholder" in this Article) or to the insurance company; the same applies below in this Article and Article 54-7) and a computer used by the policyholder or by a person which, under the contract with the policyholder, stores a policyholder File (meaning a file made available exclusively to the policyholder; the same applies below

- in this Article) on a computer it manages, and to record the same in the policyholder file stored on the computer used by the policyholder or a person which, under the contract with the policyholder, stores the policyholder file on the computer it manages (or in cases where the policyholder acknowledges its approval or notifies its refusal to receive the provided matters by the method provided in the same paragraph, the method whereby the acknowledgment or notice is recorded in a file stored on a computer used by the insurance company which provides the matters as provided in the same paragraph);
- (b) to make the matters to be stated recorded in a file stored on a computer used by an insurance company available for the policyholder's inspection via telecommunications line, and to record the matters to be stated in the policyholder file of the policyholder stored on a computer used by the policyholder or a person which, under the contract with the policyholder, stores the policyholder file on a computer it manages (or in cases where the policyholder acknowledges its approval or notifies its refusal to receive the provided matters by the method provided in Article 100-5, paragraph (2) of the Act, the method whereby the acknowledgment or notice is recorded in a file stored on a computer used by the insurance company);
- (c) to make the matters to be stated recorded in the policyholder file stored on a computer used by an insurance company available for the policyholder's inspection via telecommunications line;
- (d) to make the matters to be stated recorded in the inspection file (meaning a file stored on a computer used by an insurance company in which the matters to be stated are recorded for making them available for inspection by multiple policyholders at the same time; the same applies in the following paragraph) available for the policyholder's inspection via telecommunications line; and
- (ii) to deliver the file storing the matters to be stated, which is prepared with any object enabling secure storage of certain information through magnetic disks, CD-ROMs or any other means equivalent thereto.
- (2) The methods stated in the items of the preceding paragraph must be in conformity with the following requirements:
- (i) that the method enables the policyholder to prepare a document by way of outputting information recorded in the policyholder file or inspection file;
- (ii) regarding the method stated in item (i), (a), (c) or (d) of the preceding paragraph (excluding the method to record the matters to be stated in the policyholder file stored on a computer used by the policyholder), that the policyholder is informed of the fact that the matters to be stated will be or have been recorded in the policyholder file or the inspection file; provided, however, that this does not apply to the cases where the policyholder is

- confirmed as having inspected the matters to be stated;
- (iii) regarding the method stated in item (i), (c) or (d) of the preceding paragraph, that the following matters cannot be deleted or altered for the period until the fifth anniversary of the last date of investment of money received as insurance premiums under the insurance contract specified in the matters to be stated (or if any complaint related to the matters to be stated has been raised within the period before the expiration date of the period, for the period until either the expiration date of the period or the day when the complaint was resolved, whichever comes later); provided, however, that the matters to be stated may be deleted if the matters to be stated offered for inspection are delivered in writing, the matters to be stated are provided by the methods stated in item (i), (a) or (b) of the preceding paragraph or in item (ii) of the preceding paragraph with the policyholder's consent (meaning consent given under Article 14-2, paragraph (1) of the Cabinet Order), or the policyholder has instructed the deletion of the matters to be stated:
    - (a) regarding the method stated in item (i), (c) of the preceding paragraph, the matters to be stated recorded in the policyholder file;
    - (b) regarding the method stated in item (i), (d) of the preceding paragraph, the matters to be stated recorded in the inspection file;
  - (iv) regarding the method stated in item (i), (d) of the preceding paragraph, that the following requirements are satisfied:
    - (a) that information necessary for the policyholder's inspection of the inspection file is recorded in the policyholder file; and
    - (b) that, before the elapse of the period as provided in the preceding item, the policyholder file recording the information necessary for the policyholder's inspection of the inspection file under (a) and the inspection file are kept connectible via telecommunications line; provided, however, that this does not apply to the cases where the policyholder who has been given access to the files for inspection has made notification to the effect that the connectibility does not need to be maintained.
  - (3) The term "electronic data processing system" as used in paragraph (1), item (i) means an electronic data processing system connecting a computer used by the insurance company and a computer storing the policyholder file used by the policyholder or a person which, under the contract with the policyholder, stores the policyholder file on a computer it manages or a computer used by the insurance company, via telecommunications line.

(Cases That Are Likely to Cause Detriment to the Protection of Policyholders)  
 Article 54-6 The cases to be specified by Cabinet Office Order, as provided in the proviso to Article 100-5, paragraph (3) of the Act are as follows:

- (i) cases where a system to promptly respond to the inquiries made by the policyholder of a performance-linked insurance contract with respect to the matters to be stated in the investment report has not been established; and
- (ii) cases where the policyholder of the performance-linked insurance contract is deemed to be a policyholder other than a professional investor pursuant to the provisions of Article 34-2, paragraph (5) of the Financial Instruments and Exchange Act.

(Types and Details of Electronic or Magnetic Means)

Article 54-7 The types and details of the methods to be presented pursuant to Article 14-2, paragraph (1) of the Cabinet Order are as follows:

- (i) the methods stated in the items of Article 54-5, paragraph (1), which are to be used by the insurance company; and
- (ii) the format for recording information in a file.

(Application for Authorization for Concerted Business)

Article 55 (1) If a non-life insurance company (including a foreign non-life insurance company, etc.; the same applies below in this paragraph) seeks to obtain authorization pursuant to the provisions of Article 102, paragraph (1) of the Act (including as applied mutatis mutandis pursuant to Article 199 of the Act), it must submit to the Commissioner of the Financial Services Agency a written application for authorization containing the following matters (if it intends to change the details of the concerted business, the details of the change), jointly with the non-life insurance companies that are the parties to the concerted business:

- (i) the trade names or names of the parties to the concerted business, and the location of their head offices, principal business offices, or principal branches in Japan (meaning principal branches in Japan provided in Article 187, paragraph (1), item (iv) of the Act; the same applies below), and if the party is a corporation, the name of the representative or the representative in Japan referred to in Article 187, paragraph (1), item (ii) of the Act;
  - (ii) the name of the concerted business;
  - (iii) the manner of the concerted business;
  - (iv) if there are any provisions concerning the time of commencing the concerted business and the duration, the commencing time and duration; and
  - (v) if there is any business office to supervise affairs concerning the concerted business, the name and the location of the business office.
- (2) The following documents must be attached to a written application referred to in the preceding paragraph:
- (i) a written statement of reasons;
  - (ii) a letter of agreement, a written contract, or other document concerning the

- concerted business;
- (iii) a document containing any other matters which would serve as reference information.
- (3) The original and two copies of the written application referred to in paragraph (1) and documents attached thereto must be submitted to the Commissioner of the Financial Services Agency.

(Complaint Processing Measures and Dispute Resolution Measures for Insurance Business)

Article 55-2 (1) The measures to be specified by Cabinet Office Order, as the complaint processing measures provided in Article 105-2, paragraph (1), item (ii) of the Act (including as applied mutatis mutandis pursuant to Article 199 of the Act), are the measures provided in one of the following items:

- (i) to take all measures stated below:
  - (a) to develop business operation system that is sufficient to fairly and appropriately execute businesses related to processing of complaints related to insurance business, etc. (meaning the complaints related to insurance business, etc. as provided in Article 2, paragraph (38) of the Act; the same applies in this paragraph and paragraph (3));
  - (b) to establish the rules for fair and appropriate execution of businesses concerning processing of complaints related to insurance business, etc. (limited to the rules which include provisions clarifying the division of responsibilities among insurance-related businesses (meaning the insurance-related business as provided in Article 2, paragraph (42) of the Act; the same applies in item (iv) and paragraph (3)) involved in the businesses);
  - (c) to inform customers (meaning the customers provided in Article 105-2, paragraph (1), item (ii) of the Act) of recipient of complaints related to insurance business, etc. and to publish the business operation system as described in (a) and the rules as described in (b);
- (ii) to process the complaints related to insurance business, etc. through resolution of complaints conducted by financial instruments firms associations (meaning the authorized financial instruments firms association provided in Article 2, paragraph (13) (Definitions) of the Financial Instruments and Exchange Act or the recognized financial instruments firms association provided in Article 78, paragraph (2) (Recognition of Recognized Financial Instruments Firms Associations) of the same Act; the same applies in item (i) of the following paragraph) or certified investor protection organization (meaning the certified investor protection organization as provided in Article 79-10, paragraph (1) (Notification of Abolition of Business) of the same Act; the same applies in item (i) of the following

- paragraph), pursuant to Article 77, paragraph (1) (Response to Complaints from Investors) of the Financial Instruments and Exchange Act (including as applied mutatis mutandis pursuant to Article 78-6 (Response to Complaints Filed by Investors) and Article 79-12 (Processing of Complaints by Certified Organization));
- (iii) to process the complaints related to insurance business, etc. through mediation provided in Article 19, paragraph (1) (Promotion of Complaint Processing and Dispute Resolution) or Article 25 (Role of National Consumer Affairs Center) of the Consumer Basic Act (Act No. 78 of 1968);
  - (iv) to process the complaints related to insurance business, etc. through complaint processing procedures implemented by the persons who have obtained the designation pursuant to Article 308-2, paragraph (1) of the Act (limited to the case where the category of business of dispute resolution, etc. falls under the insurance business, etc. other than the insurance business, etc. conducted by the insurance-related business; the same applies in item (iv) of the following paragraph) or the designation stated in the items of Article 44-7 of the Cabinet Order; and
  - (v) to process the complaints related to insurance business, etc. through complaint processing procedures implemented by a corporation (meaning the corporation provided in Article 308-2, paragraph (1), item (i) of the Act; the same applies in item (v) of the following paragraph), having the accounting basis and personnel structure necessary for conducting the business concerning processing of the complaints related to insurance business, etc. fairly and appropriately.
- (2) The measures to be specified by Cabinet Office Order, as the dispute resolution measures provided in Article 105-2, paragraph (1), item (ii) of the Act (including as applied mutatis mutandis pursuant to Article 199 of the Act), are the measures stated in one of the following items:
- (i) to resolve the dispute related to insurance business, etc. (meaning the dispute related to insurance business, etc. as provided in Article 2, paragraph (39) of the Act; the same applies below in this Article) through mediation conducted by financial instruments firms associations or certified investor protection organization (meaning the mediation provided in Article 77-2, paragraph (1) (Mediation by Authorized Association) of the Financial Instruments and Exchange Act (including as applied mutatis mutandis pursuant to Article 78-7 (Mediation by Recognized Association) and 79-13 (Mediation by Certified Organization) of the same Act));
  - (ii) to resolve the dispute related to insurance business, etc. through mediation by an organization under the articles of association provided in Article 33, paragraph (1) (Articles of Association) of the Attorney Act (Act No. 205 of 1949) or under rules stipulated in accordance with the provisions of the

- articles of association, or through arbitration procedures by the organization;
- (iii) to resolve the dispute related to insurance business, etc. through mediation provided in Article 19, paragraph (1) or Article 25 of the Consumer Basic Act or through resolution by agreement provided in Article 25 of the same Act;
  - (iv) to resolve the dispute related to insurance business, etc. through dispute resolution procedures implemented by the persons who have obtained the designation pursuant to Article 308-2, paragraph (1) of the Act or the designation stated in the items of Article 44-7 of the Cabinet Order; and
  - (v) to resolve the dispute related to insurance business, etc. through dispute resolution procedures implemented by a corporation, having the accounting basis and personnel structure necessary for conducting the business concerning resolution of the dispute related to insurance business, etc. fairly and appropriately.
- (3) Notwithstanding the provisions of the preceding two paragraphs (limited to paragraph (1), item (v) and item (v) of the preceding paragraph), the insurance-related business may not process the complaints related to insurance business, etc. and resolve the dispute related to insurance business, etc. through procedures implemented by a corporation falling under any of the categories prescribed in the following items:
- (i) a corporation that has been sentenced to a fine under the provisions of the Act or the Attorney Act, and for whom five years have not passed since the day when the execution of the punishment terminated or it became free from execution of the punishment;
  - (ii) a corporation whose designation under Article 308-2, paragraph (1) of the Act was revoked pursuant to Article 308-24, paragraph (1) of the Act and for whom five years have not passed since the day when the designation was revoked, or a corporation whose designation under the items of Article 44-7 of the Cabinet Order was revoked and for whom five years have not passed since the day when the designation was revoked;
  - (iii) a corporation, any of whose officers in charge of its business (if an officer is a corporation, including a person who is in charge of its business; the same applies in this item) falls under any of the following conditions:
    - (a) a person who was sentenced to imprisonment or a severer punishment or was sentenced pursuant to the provisions of the Act or the Attorney Act, if a period of five years has not yet elapsed since the day on which the person served out the sentence or was exempted from the execution of the sentence; or
    - (b) a person who was an officer of a corporation whose designation under in Article 308-2, paragraph (1) of the Act was revoked pursuant to Article 308-24, paragraph (1) of the Act, if the person was an officer of the

corporation within one month before the revocation and a period of five years has not yet elapsed from the date of revocation; or a person who was an officer of a corporation whose designation stated in the items of Article 44-7 of the Cabinet Order was revoked, if the person was an officer of the corporation within one month before the revocation and a period of five years has not yet elapsed from the date of revocation.

## **Chapter IV Subsidiary Companies**

(Businesses of Specialized Subsidiary Companies)

Article 56 (1) The businesses to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (iv)-2 of the Act, are as follows:

- (i) the businesses stated in the items of paragraph (1) of the following Article to be performed for the businesses conducted by the insurance companies, their subsidiary companies (limited to those stated in Article 106, paragraph (1), items (i) through (ii)-2 and (viii)) and any other persons stated in the items of paragraph (4) (referred to as an "insurance company, etc. group" in item (ii) of the following paragraph and paragraph (17), item (ii), (a));
- (ii) the businesses stated in the items of paragraph (2) of the following Article (excluding the businesses stated in items (xxxiv)-3 and (xxxv) of paragraph (2) of the following Article, if the insurance company has no subsidiary company which is a company engaged in banking business, etc. (meaning a bank, long-term credit bank or foreign company engaged in banking business; the same applies below); the businesses stated in items (xxxvi) through (xli) of paragraph (2) of the following Article, if the insurance company has no subsidiary company which is a company specialized in securities, etc. (meaning a company specialized in securities provided in Article 106, paragraph (1), item (v) of the Act (referred to as a "company specialized in securities" in Article 58-6), company specialized in securities intermediation provided in item (vi) of that paragraph (referred to as a "company specialized in securities intermediation" in Article 58-6) or a foreign company engaged in securities-related business; the same applies in paragraph (17), item (ii), (b) and Article 210-7, paragraph (14), item (ii), (b)); or the businesses stated in items (xli) through (xlv) of paragraph (2) of the following Article, when the insurance company has no subsidiary company which is a company specialized in trusts, etc. (meaning a company specialized in trusts provided in Article 106, paragraph (1), item (vii) of the Act, trust bank provided in item (xii), (b) of that paragraph (referred to below as a "trust bank"), or a foreign company engaged in trust business (meaning the trust business provided in Article 2, paragraph (1) of the Trust Business Act; the same applies in Article 208, paragraph (2), item (ii); the same

applies below)) (excluding when the insurance company conducts insurance proceeds trust business with authorization referred to in Article 99, paragraph (7) of the Act)).

(2) The businesses to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (v) of the Act, are the business to conduct the following activities, beyond those stated in Article 35, paragraph (1), items (i) through (x), and items (xiii), (xvi) and (xvii) of the Financial Instruments and Exchange Act; and the business stated in paragraph (2), items (i) through (iii) of that Act (in the case of business stated in item (i) of the same paragraph, limited to the business stated in Article 52-3, paragraph (1), items (i) and (iii) (limited to the portion related to item (i) of the same paragraph) and business to accept entrustment of transactions on a commodity market as provided in Article 2, paragraph (21) of the Commodity Exchange Act; or in the case of the business stated in Article 35, paragraph (2), item (ii) of the Financial Instruments and Exchange Act, limited to the business stated in Article 52-3, paragraph (1), items (i) and (iii) (limited to the portion related to item (i) of the same paragraph)):

- (i) business to conduct acts stated in Article 2, paragraph (8), item (vii) and items (xi) through (xvii) of the Financial Instruments and Exchange Act (with respect to the acts stated in items (xii), (xiv) and (xv) of that paragraph, excluding a business for asset investment based on the investment decision (meaning the investment decision provided in Article 2, paragraph (8), item (xi), (b) of that Act; the same applies in item (i) of the following paragraph and items (xvii) and (xxvi) of paragraph (2) of the following Article) with reference to the analysis of the value, etc. of crypto- and other assets (meaning the value of crypto- and other assets, the amount of consideration of the cryptoasset-related option (meaning the cryptoasset-related option provided in Article 185-23, paragraph (1) of that Act) or trends in cryptoasset-related financial indicators; the same applies in item (i) of the following paragraph and items (xvii) and (xxvi) of paragraph (2) of the following Article)); and business to conduct the acts stated in the items of Article 1-12 of the Order for Enforcement of the Financial Instruments and Exchange Act;
- (ii) the business stated in the items of paragraph (1) of the following Article (excluding item (xxiii)) to be performed for the businesses conducted by an insurance company, etc. group; and
- (iii) the business stated in the items of paragraph (2) of the following Article (excluding the business which falls under the business stated in item (i), and if the insurance company has no subsidiary company which is a company engaged in banking business, etc., excluding the businesses stated in items (xxxiv)-3 and (xxxv) of that paragraph; and if the insurance company has no

- subsidiary company which is a company specialized in trusts, etc. (excluding the case where the insurance company conducts insurance proceeds trust business with authorization referred to in Article 99, paragraph (7) of the Act), excluding the businesses stated in items (xli) through (xlv) of paragraph (2) of the following Article.)
- (3) The businesses to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), items (vi) and (vi)-2 of the Act, are the business to conduct the following activities, beyond those stated in Article 35, paragraph (1), items (x) and (xiii) of the Financial Instruments and Exchange Act; and the business stated in paragraph (2), items (i) through (iii) of that Act:
- (i) business to conduct acts stated in Article 2, paragraph (8), items (xi), (xii) and (xiv) of the Financial Instruments and Exchange Act; and business to conduct acts stated in Article 1-12, item (i) of the Order for Enforcement of the Financial Instruments and Exchange Act (with respect to the acts stated in items (xii) and (xiv) of that paragraph, excluding a business for asset investment based on the investment decision with reference to the analysis of value, etc. of crypto- and other assets);
  - (ii) intermediation for conclusion of a cumulative investment contract (meaning a cumulative investment contract provided in Article 35, paragraph (1), item (vii) of the Financial Instruments and Exchange Act);
  - (iii) intermediation for lending and borrowing of securities as provided in Article 35, paragraph (1), item (i) of the Financial Instruments and Exchange Act;
  - (iv) the business stated in item (ii) of the preceding paragraph;
  - (v) the business stated in the items of paragraph (2) of the following Article (excluding the business which falls under the business stated in item (i), and also excluding the businesses stated in items (xxxiv)-3 and (xxxv) of the same paragraph, if the insurance company has no subsidiary company which is a company engaged in banking business, etc., and the businesses stated in items (xli) through (xlv) of paragraph (2) of the following Article, if the insurance company has no subsidiary company which is a company specialized in trusts, etc. (excluding the case where the insurance company conducts insurance proceeds trust business with authorization under Article 99, paragraph (7) of the Act));
- (4) The parties to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xii) of the Act, are as follows:
- (i) a subsidiary company, etc. of the insurance company (meaning a subsidiary company, etc. provided in Article 110, paragraph (2) of the Act, but excluding the subsidiary company of the insurance company (limited to a company stated in Article 106, paragraph (1), items (i), (ii) and (viii) of the Act));
  - (ii) an insurance holding company and its subsidiary company, etc. (meaning a

- subsidiary company, etc. provided in Article 271-24, paragraph (1) of the Act, and excluding the relevant insurance company and its subsidiary company, etc. (meaning a subsidiary company, etc. provided in Article 110, paragraph (2) of the Act)) holding the insurance company as its subsidiary company;
- (5) The company to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiii) of the Act, is a company other than the issuer of the shares listed on the financial instruments exchange or the shares registered in the over-the-counter traded securities register (meaning the over-the-counter traded securities register provided in Article 67-11, paragraph (1) of the Financial Instruments and Exchange Act; the same applies below), which is a small and medium sized enterprise (meaning a small and medium sized enterprise provided in Article 2, paragraph (1) of Small and Medium-sized Enterprises Business Enhancement Act (Act No. 18 of 1999); the same applies in paragraphs (10) and (15)) engaged in new business activities (meaning newly implemented business activity such as development or production of a new product, development or the provision of a new service, introduction of a new means of producing or selling a product, introduction of a new means of providing a service, or research and development concerning technology and the use of its results; the same applies below in this paragraph and paragraph (10)), and for which ten years have not passed since the day of its incorporation or the day of starting the new business activity (meaning the day when the company started the new business activity that is different from the category of business presently conducted by the company).
- (6) The company to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiv) of the Act, is a company other than the issuer of the shares listed on the financial instruments exchange or the shares registered in the over-the-counter traded securities register, which falls under the category of the company in any of the following items:
- (i) a company which has obtained the approval referred to in Article 14, paragraph (1) of the Small and Medium-sized Enterprises Business Enhancement Act;
  - (ii) a company which has obtained the decision of authorization of rehabilitation plan under Article 174, paragraph (1) of the Civil Rehabilitation Act;
  - (iii) a company which has obtained the decision of authorization of reorganization plan under Article 199, paragraph (1) of the Corporate Reorganization Act;
  - (iv) a company which has obtained the decision on assistance provided for revitalization provided in Article 25, paragraph (4) of the Act on Regional Economy Vitalization Corporation of Japan (Act No. 63 of 2009);
  - (v) a company which has obtained the decision on assistance from an industrial

- recovery organization provided in Article 19, paragraph (4) of the Act on Corporation for Revitalizing Earthquake-Affected Business (Act No. 113 of 2011);
- (vi) a company which has obtained the assistance under Article 59, paragraph (1) of the Act on Corporation for Revitalizing Earthquake-Affected Business;
  - (vii) a company which has obtained the approval for a corporate restructuring plan referred to in Article 23, paragraph (1) of the Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013);
  - (viii) a company which implements the streamlined management improvement plan (meaning the plan wherein an insurance company, foreign insurance company, etc., bank, etc., insurance holding company, bank holding company (meaning a bank holding company provided in Article 2, paragraph (13) of the Banking Act; the same applies in item (xxxv), paragraph (2) of the following Article), long term credit bank holding company (meaning a long term credit bank holding company provided in Article 16-4, paragraph (1) of the Long Term Credit Bank Act; the same applies in that item) or their respective subsidiary companies (referred to below as "specified financial institution, etc." in this item, the following item and Article 210-7, paragraph (5), item (ii)) implements any of the following measures in connection with the obligations of the company against the specified financial institution, etc.; and limited to the case where the implementation of the measure is expected to improve to the management of the company in a reasonable period of time):
    - (a) measure to release all or part of the obligations;
    - (b) measures to acquire shares in order to eliminate all or part of the obligations;
    - (c) measures to make all or part of the credit related to the obligations subordinated to the other credits held against the company (limited to the case where the specified financial institution, etc. has implemented measures so that the company's obligations will be accelerated if the financial indicator of the company falls short of the certain requirement fixed by the specified financial institution, etc. and the company in advance);
  - (ix) a company that implements a streamlined management improvement plan (limited to a plan that provides for fund contribution by a specified financial institution, etc. to the company as necessary for its business, in which fund contribution is expected to improve the business management of the company within a reasonable period) formulated with the involvement of an insurance company or bank, etc. holding monetary credits against the company (in the case where there is no relevant insurance company or bank, etc., the insurance company that acquires voting rights in the company in connection

with the acquisition of the voting rights by the insurance company or its subsidiary company) and any of the following entities:

- (a) a public agency;
  - (b) a commercial and industrial association or chamber of commerce and industry;
  - (c) any entity equivalent to (a) or (b);
  - (d) an attorney, a legal professional corporation, or an attorney at law/registered foreign lawyer joint corporation;
  - (e) a certified public accountant or audit corporation;
  - (f) a certified public tax accountant or tax accountancy corporation;
  - (g) a company engaged in management consultation business for other business operators, etc. (limited to a company other than a subsidiary company, etc. (meaning a subsidiary company, etc. provided in Article 110, paragraph (2) of the Act) of the insurance company and a subsidiary company, etc. (meaning a subsidiary company, etc. provided in Article 271-24, paragraph (1) of the Act) of an insurance holding company that holds the insurance company as its subsidiary company); and
  - (x) a company that came to need assistance in order to succeed to its business for reasons such as the representative's death or old age, and that has received assistance based on a business succession plan.
- (7) The requirements specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiv) of the Act are that if an insurance company or its subsidiary company acquires voting rights in the company provided in the preceding paragraph (excluding one that falls under item (x) of that paragraph), all of the requirements stated in the following are satisfied:
- (i) a business plan (meaning a business plan as provided in Article 106, paragraph (1), item (xiv) of the Act) has been prepared that includes human-resources or financial assistance by an insurance company and bank, etc. or any other assistance for business revitalization that is provided by that insurance company or bank, etc.; and
  - (ii) any of the entity that falls under any of (a) through (g) of item (ix) of the preceding paragraph is involved in formulating the business plan referred to in the preceding item.
- (8) The company to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xv) of the Act is the company other than the issuer of the shares listed on the financial instruments exchange or the shares registered in the registry of over-the-counter traded securities, and which falls under any of the following items, or a company which prepares a business revitalization plan with the involvement of Regional Economy Vitalization Corporation of Japan:
- (i) a company that has received capital contribution from an investment limited

- partnership in which a stock company to be established through the implementation of the business stated in Article 22, paragraph (1), item (vi) of the Act on Regional Economy Vitalization Corporation of Japan is an unlimited liability partner and which falls under either of the following:
- (a) the insurance company or its subsidiary company is a partner of the investment limited partnership;
  - (b) the insurance company or its subsidiary company makes capital contribution to the stock company;
- (ii) a company that was established for the purpose of undertaking a business revitalization or of creating a new business that draws upon the distinctive features of the region or carrying out other such business activities that contribute to the revitalization of the regional economy, and which implements a business plan formulated with the involvement of one of the entities that falls under paragraph (6), item (ix), (a) through (g)f:
- (9) Beyond the companies as provided in paragraph (5), an emerging enterprise operator, etc. also falls under a company related to the insurance company to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiii), if a specified subsidiary company of the insurance company (meaning a company as provided in that item; the same applies in paragraphs (14), (15) and Article 58-7, paragraph (3)) is an equity holder of the emerging enterprise operator, etc., and if, when the company provided paragraph (5) became an emerging enterprise operator, etc., the specified subsidiary company met any of the requirements specified in the following items, so far as the specified subsidiary company meets that requirement:
- (i) that the specified subsidiary company is the largest equity holder among the equity holders (excluding individuals) of the emerging enterprise operator, etc.;
  - (ii) that an officer, a member or an employee who executes business, a person who was these persons or a person selected by the specified subsidiary company has assumed a position of the representative director, director or any other position equivalent thereto of the emerging enterprise operator, etc.; or
  - (iii) beyond what is stated in the preceding two items, that there exists any other fact inferring that the specified subsidiary company may have material influence on the decision-making relating to the financial, operational and business policies of the emerging enterprise operator, etc.
- (10) The term "emerging enterprise operator, etc." provided in the preceding paragraph means a company that was formerly a small and medium-sized enterprise but ceased to be a small and medium-sized enterprise due to the growth and development of its businesses, and which satisfies any of the following requirements even after it ceased to be a small and medium-sized

enterprise.

- (i) a small and medium-sized enterprise operator, for which ten years have not passed since the day of the incorporation or the day of commencement of new business activities, and regarding which the ratio of the amount stated in (a) in the previous business year or previous year to the amount stated in (b) exceeds 3 percent;
    - (a) the total of the research expenses, and any other special expenses to be disbursed for the adoption of new technology or managerial framework, marketing or launching of new business;
    - (b) the amount of the total income, less fixed assets or the proceeds from the transfer of securities as provided in Article 2, item (xxi) of the Corporate Tax Act (Act No. 34 of 1965);
  - (ii) a small and medium-sized enterprise operator, for which two years have not passed since the day of the incorporation or the day of commencement of new business activities, which has two or more full-time workers engaged in the new business activities (limited to the persons who are engaged in new business activities and do not fall under researchers), and regarding which the ratio of the number of the workers engaged in new business activities to the number of full-time officers and employees is not less than 10 percent; or
  - (iii) a small and medium-sized enterprise operator, for which one year has not passed since the day of the incorporation or the day of commencement of new business activities, which has two or more full-time researchers, and regarding which the ratio of the number of the researchers to the number of full-time officers and employees is not less than 10 percent.
- (11) Beyond the companies as provided in paragraph (5) and companies which are treated, pursuant to paragraph (9), as those falling under the company to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiii) of the Act, a company which fell under the company as provided in paragraph (5) or a company which was treated, pursuant to paragraph (9), as a company falling under the company to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiii), at the time when the voting rights were acquired by an insurance company or its subsidiary company (including a company which becomes a subsidiary company; the same applies below) due to the grounds other than the acquisition of shares or equity interests by the exercise of security rights or those specified in Article 57, paragraph (1), item (i) (when the voting rights in that company were acquired on two or more occasions by the insurance company or its subsidiary company, at the time of the latest occasion of the acquisition due to the grounds other than the acquisition of shares or equity interests by the exercise of security rights or those as specified in the same item) is to be treated as a company related to the insurance company falling under the company to be specified by

Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiii) of the Act, unless the voting rights are newly acquired due to the grounds other than the acquisition of shares or equity interests by the exercise of security rights by the insurance company or its subsidiary company or those specified in Article 57, paragraph (1), item (i).

- (12) The provisions of paragraph (9) and the preceding paragraph apply mutatis mutandis to an entity that formerly was a company provided in paragraph (6). In this case, the term "Article 106, paragraph (1), item (xiii)" in paragraph (9) and the preceding paragraph is deemed to be replaced with "Article 106, paragraph (1), item (xiv)".
- (13) The provisions of paragraphs (9) and (11) apply mutatis mutandis to an entity that formerly was a company provided in paragraph (8). In this case, the term "Article 106, paragraph (1), item (xiii)" in paragraphs (9) and (11) is deemed to be replaced with "Article 106, paragraph (1), item (xv)."
- (14) Notwithstanding the provisions of paragraphs (5) through the preceding paragraph (excluding paragraph (7)), if a specified subsidiary company fails to dispose of its acquired voting rights in a company provided in paragraph (5), (9) or (11) (referred to below as a "new business marketing company" in this paragraph), a company provided in paragraph (6), a company to be specified by Cabinet Office Order, as referred to in paragraph (11), as applied mutatis mutandis pursuant to paragraph (12) following the deemed replacement of terms (referred to below as a "business restructuring company" in this Chapter and Article 85, paragraph (1), items (vi), (ix) and (xi)), a company provided in paragraph (8) or a company to be specified by Cabinet Office Order, as referred to in paragraph (11), as applied mutatis mutandis pursuant to the preceding paragraph following the deemed replacement of terms (referred to below as a "local revitalization business company" in this paragraph), by the cut-off date (meaning the day on which fifteen years have elapsed from the date of the acquisition of the voting rights in a new business marketing company; or the day on which ten years have elapsed from the date of the acquisition of the voting rights in a business restructuring company or local revitalization business company (if the voting rights are voting rights in a company prescribed in paragraph (6) (limited to one that falls under item (v) or item (vi) of that paragraph), and if the period during which the company receives the assistance exceeds ten years from the date of the acquisition of the voting rights, the day on which the assistance ends); the same applies below in this paragraph), the relevant new business marketing company, business restructuring company and local revitalization business company (collectively referred to below as a "new business marketing company, etc." in this paragraph, Article 58-4, paragraph (1), item (ix), Article 58-7, paragraph (4) and Article 85, paragraph (1), items (vi), (ix) and (xi)) is to be treated as not

falling under a company to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiii) in relation to the insurance company, in case of a new business marketing company, a company specified by Cabinet Office Order, as referred to in item (xiv) of that paragraph in relation to the insurance company, in case of a business restructuring company, or a company specified by Cabinet Office Order, as referred to in item (xv) of that paragraph in relation to the insurance company, in case of a local revitalization company, from the day immediately after the cut-off date; provided, however, that this does not apply to the case where the disposition of the voting rights will result in the number of voting rights in the new business marketing company held by the insurance company or its subsidiary company falling short of the voting right holding threshold as of the cut-off date (meaning the number of the voting rights derived by multiplying all shareholders' voting rights by 10 percent, in the case of voting rights in a domestic company and business restructuring company (limited to a company that satisfies the requirements provided in paragraph (7); the same applies below in this Chapter and Article 85, paragraph (1), items (vi), (ix) and (xi)); or the number of voting rights derived by multiplying all shareholders' voting rights by 50 percent, in the case of voting rights in a foreign company; the same applies below in this paragraph), and where the specific subsidiary company, for the period between the acquisition date and the cut-off date, disposes the portion of the voting rights in the new business marketing company, etc. held by the insurance company or its subsidiary company exceeding the voting right holding thresholds as of the cut-off-date:

- (15) Notwithstanding the provisions of paragraphs (6) and (12), if an insurance company or its subsidiary company other than a specified subsidiary company fails to dispose of the acquired voting rights in a business restructuring company by the cut-off date (meaning the day on which the period specified in the following items has elapsed from the date of the acquisition of the voting rights in accordance with the categories of voting rights stated in those items; the same applies below in this paragraph), the business restructuring company is not considered to be a company specified by Cabinet Office Order as provided in Article 106, paragraph (1), item (xiv) of the Act in relation to the insurance company from the day following the cut-off date; provided, however, that this does not apply to the case where the disposition of the voting rights would result in the number of voting rights in the business restructuring company held by the insurance company or its subsidiary company other than a specified subsidiary company falling below the voting right holding threshold as of the cut-off date, and where the insurance company or its subsidiary company other than a specified subsidiary company, for the period between the acquisition date and the cut-off date, disposes the portion of the voting rights

in the business restructuring company held by the insurance company or its subsidiary company other than a specified subsidiary company exceeding the voting right holding threshold as of the cut-off-date.

- (i) voting rights relating to shares or equity interests issued by a small and medium-sized enterprise operator: ten years; or
  - (ii) voting rights relating to shares or equity interests issued by a company other than a small and medium-sized enterprise operator: three years.
- (16) The companies to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xiii) of the Act, are the companies engaged solely in the following businesses and businesses incidental to those businesses.
- (i) the businesses stated in item (xxiv), item (2) of the following Article;
  - (ii) consultation on management of other business operators, etc., introduction of business operators, etc. or customers related to businesses of the other business operator, etc., provision of other necessary information and advice (limited to services relating to a stock company which is a recipient or prospective recipient of the fund relating to the businesses stated in the preceding item);
- (17) The companies to be specified by Cabinet Office Order, as provided in Article 106, paragraph (1), item (xvii) of the Act, are as follows:
- (i) a holding company that holds any of the following companies as its subsidiary company;
    - (a) a life insurance company;
    - (b) a non-life insurance company;
    - (c) a small amount and short term insurer;
    - (d) a bank;
    - (e) a long-term credit bank;
  - (ii) in addition to what is stated in the preceding items, a holding company solely engaged in the business of management of its subsidiary companies, any businesses incidental to that business, as well as the following businesses:
    - (a) the businesses stated in the items of paragraph (1) of the following Article which are conducted for the business of a group of insurance companies, etc.
    - (b) the businesses stated in the items of paragraph (2) of the following Article (excluding the businesses stated in items (xxxiv)-3 and (xxxv) of that paragraph, in case where the holding company does not hold a company engaged in banking business as its subsidiary company; excluding the businesses stated in items (xxxvi) through (xl) of that paragraph, in case where the holding company does not hold a company specialized in securities, etc. as its subsidiary company; and excluding the businesses stated in items (xli) through (xlv) of paragraph (2) of the following Article

in the case where the holding company does not hold a company specialized in trust business, etc. as its subsidiary company, etc. (excluding the case where an insurance company holding voting rights in the holding company conducts insurance proceeds trust business with authorization referred to in Article 99, paragraph (7) of the Act (including the case where a subsidiary company, etc. of the insurance company holds the voting rights))));

- (18) The provisions of Article 2, paragraph (15) of the Act apply *mutatis mutandis* to the voting rights as provided in paragraph (6), item (ix), paragraph (7), paragraph (11) (including as applied *mutatis mutandis* pursuant to paragraphs (12) and (13) following the deemed replacement of terms), paragraph (14), paragraph (15) and item (ii), (b) of the preceding paragraph.

(Scope of Subsidiary Companies of Insurance Companies)

Article 56-2 (1) The businesses to be specified by Cabinet Office Order, as provided in Article 106, paragraph (2), item (i) of the Act, are as follows:

- (i) business to handle affairs related to welfare benefit of officers or employees of other business operators, etc.;
- (ii) business of purchasing and management of goods to be used for handling business affairs of other business operators, etc.;
- (iii) business of printing and bookbinding of papers, tickets and any other documents related to the affairs of other business operators, etc.;
- (iv) business of advertisement, promotion, research, or analyzing information or providing information for businesses of other business operators, etc. (excluding the business stated in item (viii));
- (v) business of driving, maintenance, inspection and any other type of management of automobiles for other business operators, etc.;
- (vi) business of maintenance, inspection and any other type of management of automated teller machines, etc. of other business operators, etc.;
- (vii) business of preparation and dispatching of postcards and sealed documents for solicitation of conclusion of contract related to the business of other business operators, etc. or for providing explanation on the terms and conditions of that contract;
- (viii) business of assessment of properties which are to be offered as collateral to secure loan claims any other claims originating from extension of credit by other business operators, etc.; management of the properties which are offered as collateral; and any other businesses as may be necessary in relation to those properties;
- (ix) when another business operator, etc. needs to enforce security rights for the collection of claims related to loans or any other claims originating from

- extension of credit: business of providing the agency or brokerage service for the sale and purchase of the properties (excluding real properties) offered as collateral to secure the claims, on behalf of the relevant other business operators, etc.;
- (x) business to provide consultation on monetary loan to be rendered by other business operators, etc. (limited to consumer loans such as loan necessary for purchasing houses); brokerage for handling business related to the loan; or any other business necessary in relation to the loans;
  - (xi) business to handle business affairs necessary for foreign exchange transactions, letters of credit or traveler's check to be performed by other business operators; or business to handle business affairs necessary for financing, discounting of bill, guarantee of obligations or acceptance of bills to be performed by other business operators, etc.;
  - (xii) business to perform calculation related to business affairs of other business operators, etc.;
  - (xiii) business to prepare, organize, store, ship or deliver the papers, tickets or any other documents related to the business affairs of other business operators, etc.;
  - (xiv) business to act as intermediary between the other business operator, etc. and its customer, in relation to the business affairs;
  - (xv) workers dispatching services as provided in Article 2, item (iii) of the Act on Ensuring the Proper Operation of Worker Dispatching Services and Protecting Dispatched Workers;
  - (xvi) business to handle business affairs related to computers for other business operators, etc. (including business to design, develop or maintain systems which function through the use of computers, and also including business to design, create, sell (including sale of peripheral equipment which would be necessary incidental to sale of programs) or maintain computer programs);
  - (xvii) business to provide education or training for officers or employees of other business operators, etc.;
  - (xviii) business of leasing real properties owned by other business operators, etc. (in principle, including real properties acquired from the other business operators, etc.; the same applies below in this item); business of maintenance, inspection and any other type of management of real properties owned by other business operators, etc. or the ancillary facilities;
  - (xix) business of shipping of cash, checks, bills or securities of other business operators, etc. (excluding the business stated in the following item and item (xxi));
  - (xx) business to collect cash, checks, bills or securities and deliver them to major customers of other business operators, etc.;

- (xxi) business of conveyance from or to major customers of other business operators, etc. of securities related to those other business operators, etc.;
  - (xxii) business of sorting out cash, checks, bills or securities, confirming their amount and quantity, or taking temporary custody, on behalf of the other business operators, etc.;
  - (xxiii) business of making investment on behalf of an insurance company which holds the subsidiary company as its subsidiary company;
  - (xxiv) if an insurance company which holds the subsidiary company as its subsidiary company, an insurance company which is a subsidiary company of the relevant insurance company, a bank or the long term credit bank (collectively referred to below as "parent insurance company, etc." in this item) requires enforcement of the security rights for the collection of claims related to loans or any other credit granted: business of purchasing the properties securing the claims and of handling business affairs necessary in relation to ownership, management, etc. of the properties purchased, on behalf of the parent insurance company, etc.;
  - (xxv) any other business designated by the Commissioner of the Financial Services Agencies as the business equivalent to those stated in the preceding items; and
  - (xxvi) businesses incidental to those stated in the preceding items (limited to the businesses carried out by the parties engaged in any of the businesses stated in those items).
- (2) The business to be specified by Cabinet Office Order, as provided in Article 106, paragraph (2), item (ii) of the Act, is as follows:
- (i) agency business (excluding agency service for the business stated in the following item and item (ii)-2) or handling service for the business related to insurance business of insurance companies (including foreign insurers) or small amount and short term insurer or business related to non-life insurance business of ship-owners mutual insurance associations;
  - (ii) insurance solicitation (meaning insurance solicitation as provided in Article 2, paragraph (26) of the Act; the same applies below);
  - (ii)-2 insurance intermediary business operations (meaning the insurance intermediary business operations provided in Article 11, paragraph (3) of the Act on the Provision of Financial Services; the same applies below);
  - (iii) business of investigation into insured events or any other matters related to insurance contracts;
  - (iv) business to provide education for personnel to conduct insurance solicitation or insurance intermediary business operations;
  - (v) business provided in Article 98, paragraph (1) of the Act (excluding the business which fall under the business stated in items (i), (xii) and (xv) of the same paragraph, the securities-related business or any other business

- specified by the Commissioner of the Financial Services Agency);
- (v)-2 business of management and collection of claims as provided in Article 2, paragraph (2) of the Act on Special Measures Concerning the Management of and Collection on Monetary Claims (Act No. 126 of 1998), and businesses stated in the items of Article 12 of that Act (limited to the cases where all of the requirements prescribed by the Commissioner of the Financial Services Agency are met, when the business provided in item (ii) of the same Article is to be carried out);
  - (v)-3 business of operation and management of defined contribution pension as provided in Article 2, paragraph (7) of the Defined Contribution Pension Act (Act No. 88 of 2001), or business to handle business affairs as stated in the items of Article 61, paragraph (1) of that Act;
  - (v)-4 business to assist the specified financial instruments business as provided in Article 33-8, paragraph (2) of the Financial Instruments and Exchange Act performed by a person (limited to a person who belongs to the relevant party as its officer or an employee) stated in the items of Article 15-21, paragraph (2) of the Order for Enforcement of the Financial Instruments and Exchange Act based on entrustment from an insurance company;
  - (vi) business to provide services related to welfare facilities for elderly, etc. (meaning welfare facility for elderly as provided in Article 5-3 of the Act on Social Welfare Service for Elderly (Act No. 133 of 1963) and fee-based home for the elderly as provided in Article 29, paragraph (1) of that Act), and any service related to welfare of elderly persons, disabled persons, etc.;
  - (vi)-2 business to provide services related to a nursery center, etc. (meaning a nursery center as provided in Article 39, paragraph (1) of the Child Welfare Act (Act No. 164 of 1947) or an institution provided in Article 59, paragraph (1) of the same Act, with the purpose being to carry out business as provided in Article 39, paragraph (1) of the same Act (excluding those stated in the items of Article 49-2 of the Regulations for Enforcement of the Child Welfare Act (Ministry of Welfare Order No. 11 of 1948)), or an center for early childhood education and care as provided in Article 2, paragraph (6) of the Act on Advancement of Comprehensive Service Related to Education, Child Care, etc. of Preschool Children (Act No. 77 of 2006));
  - (vii) business to operate facilities for sport activities for health maintenance or health improvement, or to operate facilities for health maintenance or health improvement through the utilization of hot springs;
  - (viii) business of investigation, analysis or consultation for prevention of occurrence of risk factors, prevention or mitigation of damage resulting from occurrence of risk factor, or for assessment of scope, etc. of damage resulting from occurrence of risk factor;
  - (ix) business of investigation, analysis or consultation related to health,

- welfare services or medical services;
- (x) business of designing, creation and sale of computer programs related to business of companies mainly comprising insurance holding companies, companies eligible to be subsidiary companies (meaning companies eligible to be subsidiary companies as provided in Article 106, paragraph (1) of the Act; the same applies in items (xxx) and (xxxv)) and insurance agents or to financial affairs of business operators (including sale of peripheral equipment which would be necessary incidental to sale of computer programs); business to provide entrusted calculation services (excluding the business which fall under that item);
  - (x)-2 business of calculation service for premiums or benefits related to provided benefit corporate pension as provided in Article 2, paragraph (1) of the Defined-Benefit Corporation Pension Act (Act No. 50 of 2001) or any other pension similar thereto; business related to preparation and delivery of documents related to the pension;
  - (xi) business to provide agency service for reporting on insured event from policyholders, or business to provide consultation on insurance contracts;
  - (xii) business of arrangement or introduction for automobile repair business operators, etc.;
  - (xii)-2 the second hand articles auction mediation business (limited to the business related to automobiles (including their parts)) as provided in Article 2, paragraph (2), item (iii) of the Secondhand Articles Dealer Act (Act No. 108 of 1949);
  - (xiii) monetary loan or brokerage service therefor (including granting of money by means of discounting bills, transfer for security or any other means similar thereto, and also including brokerage service for delivery and receipt of money granted by such means), which is carried out in the course of trade (excluding the services which fall under item (xxxiv), item (xxxiv)-2 and item (xxxiv)-3);
  - (xiii)-2 business related to transactions other than monetary loan, but which is to be deemed equivalent to monetary loan (limited to the cases where receiving interest is prohibited by the restriction under religious discipline, and where the transactions are to be consummated based on judgment of a council constituted by persons with expertise knowledge of the religious discipline that the transactions fall under the transaction other than monetary loan);
  - (xiii)-3 the businesses related to electronic payment services (meaning the electronic payment services provided in Article 2, paragraph (21) of the Banking Act);
  - (xiv) loan of securities;
  - (xv) acceptance of entrustment of solicitation or management of municipal

- bonds, corporate bonds or any other bond certificates;
- (xvi) handling of business affairs related to payment of money from or to the national government, local governments, companies, etc. or any other affairs related to money;
- (xvii) business to perform the acts stated in Article 2, paragraph (8), items (vii), (xiii) and (xv) of the Financial Instruments and Exchange Act (in the case of the acts stated in that item, excluding the business for asset investment based on the investment decision with reference to the analysis of value, etc. of crypto- and other assets);
- (xviii) deleted;
- (xix) commodity investment advisory business as provided in Article 2, paragraph (3) of the Act on Regulation of Commodity Investment;
- (xx) business to deliver or issue an object such as cards, number, symbols or any other marks which, by presentation or notification of or in exchange for them, entitles the holder to purchase certain goods or rights or to receive services from a specific distributor or service provider (referred to below as "cards, etc." in this item and the following item) to a person who intends to purchase goods or rights or to receive services by the use of the cards, etc. (referred to below as a "user" in this item and the following item); and to receive from the user money equivalent to the price of the goods or rights or consideration for the services and to deliver the money to the distributor or the service provider (this includes delivering the money to the distributor or the service provider through a person other than that distributor or service provider), when the user, by presentation or notification of or in exchange for the cards, etc., has purchased goods or rights or received services from the specific distributor or service provider;
- (xxi) business to deliver money equivalent to the price of the specific goods or rights or the consideration for the services to the specific distributor or service provider (this includes delivering the money to the distributor or the service provider through a person other than that distributor or service provider) on the condition that users will purchase goods or rights or will receive service from the distributor or service provider without using the cards, etc., and to receive the amount of money from the user;
- (xxii) business to issue proprietary prepayment method as provided in Article 3, paragraph (4) of the Act on Financial Settlements or business to issue third-party prepayment method as provided in paragraph (5) of the same Article; or business to sell the prepayment methods;
- (xxiii) business to offer for use machines or any other goods (limited to the case where mainly the business stated in Article 98, paragraph (1), item (xii) of the Act is to be performed in accordance with the criteria to be specified by the Commissioner of the Financial Services Agency);

- (xxiv) business to provide other stock companies with funds necessary for their business, by way of any of the following activities:
- (a) to render loans to the company;
  - (b) to acquire the corporate bonds issued by the company (excluding the short-term corporate bond stated in Article 98, paragraph (6), item (i) of the Act);
  - (c) to acquire the share options issued by the company;
  - (d) to acquire the shares issued by the company for the purpose of receiving dividends related to the shares or gaining profits from a sale related to the shares;
  - (e) to conclude a partnership contract as provided in Article 667, paragraph (1) of the Civil Code aimed at performance of the activities stated in (a) through (d), or a limited partnership agreement for investment as provided in Article 3, paragraph (1) of the Limited Partnership Act for Investment (Act No. 90 of 1998);
- (xxv) business to perform as the settlor company of an investment trust or asset investment company (in the case of business in foreign states, meaning the companies equivalent thereto; and including the business of management of investment trust properties which are to be invested in accordance with the instructions from the settlor company of an investment trust, and also including business of management of properties which constitute the assets of the investment corporation which are to be invested by the asset investment Company);
- (xxvi) business related to an investment advisory business or investment discretionary contracts (excluding a contract for delegating investment decisions based on the analysis of value, etc. of crypto- and other assets, in whole or part);
- (xxvi)-2 business to make investment of money or other assets (including giving of instructions) on behalf of another person, as the investment in the assets stated in Article 3, items (i) and (ii), and items (vi) through (viii) of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000);
- (xxvi)-3 business to provide consultation or intermediary service for other business operators, etc. in connection with business transfer, merger, company split, share exchange, share transfer or partial share exchange;
- (xxvii) business consultation service;
- (xxviii) business to conduct investigation or research related to economy, such as finance;
- (xxix) business to provide consultation service related to asset saving of individual persons;
- (xxx) business to process data primarily related to business of an insurance

- holding company or a company falling under the category of the company eligible for subsidiary company or any other financial institutions designated by the Commissioner of the Financial Services Agency or data primarily related to financial conditions of the business operators, etc. and to provide transmission service for these data;
- (xxxix) acceptance of bills;
  - (xxxix) safe custody of goods such as securities and precious metals;
  - (xxxix) money exchange;
  - (xxxix)-2 business stated in Article 99, paragraph (2), item (iv) of the Act;
  - (xxxix)-3 electronic claim information storage service provided in Article 51, paragraph (1) of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007);
  - (xxxix) agency or brokerage services for a bank, long term credit bank, shinkin bank, credit cooperatives, or labor bank (including a federation constituted by the aforementioned corporations) (excluding the service provided in item (xli));
  - (xxxix)-2 agency or brokerage services for credit business provided in Article 11, paragraph (2) of the Agricultural Cooperatives Act conducted by agricultural cooperatives or a federation of agricultural cooperatives (excluding the business which falls under the business provided in item (xli)); credit business provided in Article 11-5, paragraph (2) of the Fisheries Cooperatives Act conducted by fishery cooperatives, federation of fishery cooperatives, fishery processing cooperatives or federation of fishery processing cooperatives (excluding the business which falls under the business provided in the same item) or business of The Norinchukin Bank (excluding the business which falls under the business provided in the same item);
  - (xxxix)-2-2 agency or brokerage services for funds transfer service conducted by a funds transfer service provider;
  - (xxxix)-2-3 the electronic payment instruments-related business provided in Article 2, paragraph (11) of the Payment Services Act;
  - (xxxix)-3 agency or brokerage service for the business of a foreign company engaged in banking business (if the business is to be rendered in Japan, limited to brokerage service for safe custody of securities; settlement of transactions of securities in accordance with the instructions from customers; receiving interests accrued on the securities in its custody; leasing of securities in its custody, in accordance with the customers' instructions; exercise of rights in the securities in its custody, in accordance with the customers' instructions; and any business incidental to the aforementioned businesses);
  - (xxxix) business of designing, creation and sale of computer programs related to business of companies mainly comprising bank holding companies, long term

- credit bank holding company or companies eligible to be subsidiary companies (limited to a company such as bank) (including sale of peripheral equipment which would be necessary incidental to sale of computer programs); and business to provide entrusted calculation services;
- (xxxvi) business to provide intermediary between the owners and issuers of the securities in relation to the securities;
- (xxxvii) agency for customers in relation to securities;
- (xxxviii) business to perform advertisement, promotion or investigation for a stock company, with an objective of facilitating procurement of business fund by means of issuance of shares by the stock company, and any other business to facilitate improvement of investors' reputation for the stock company;
- (xxxix) providing information or advice in relation to securities (excluding the business which falls under the business provided in item (xxxvi) or the preceding item);
- (xl) business of intermediation, commissioning or proxy services for a partnership contract provided in Article 667, paragraph (1) of the Civil Code or a silent partnership contract as provided in Article 535 of the Commercial Code (excluding the business which fall under securities-related business);
- (xli) trust agreement agency services as provided in Article 2, paragraph (8) of the Trust Business Act (excluding business stated in Article 3, item (ii) of the Order for Enforcement of the Act on Engagement in Trust Business by Financial Institutions and Article 3, paragraph (1), item (ii) of the Regulations for Enforcement of the Act on Engagement in Trust Business by Financial Institutions);
- (xlii) deleted;
- (xliii) business related to property management (limited to the business wherein the same type of properties as the trust properties entrusted to a company specialized in trusts held by an insurance company holding voting rights in a company engaged in that business (limited to the case where the insurance company conducts insurance proceeds trust business with authorization referred to in Article 99, paragraph (7) of the Act, and including the insurance company in cases where the voting rights are held by its subsidiary company) or to a company specialized in trusts, etc. which is a subsidiary company of an insurance company or insurance holding company holding voting rights in a company engaged in that business (including the insurance company or insurance holding company in the case where the voting rights are held by these subsidiary companies) are to be managed in accordance with the same method for management of trust properties as provided in the business procedures; and excluding the business stated in item (v)), and agency service for the property management business;
- (xliv) business specified in Article 1, paragraph (1), items (iv) through (vii) of

- the Act on Engagement in Trust Business by Financial Institutions (if there is no trust bank among the companies specialized in trusts which are subsidiary companies of an insurance company or insurance holding company holding voting rights in a company engaged in that business (including the insurance company or insurance holding company in the case where the voting rights are held by these subsidiary companies) (excluding the case where the insurance company conducts insurance proceeds trust business with authorization under Article 99, paragraph (7) of the Act), the scope of the business is limited to the business which the company specialized in trusts has obtained approval under Article 21, paragraph (2) of the Trust Business Act, and the businesses stated in item (xix), the preceding item, Article 3, item (iii) of the Order for Enforcement of the Act on Engagement in Trust Business by Financial Institutions, and Article 3, paragraph (1), items (iii) and (iv) of the Regulations for Enforcement of the Act on Engagement in Trust Business by Financial Institutions are excluded);
- (xlv) business related to assessment of properties (excluding real properties) in cases of acceptance of trust;
- (xlvi) other business to be specified by the Commissioner of the Financial Services Agency as the businesses equivalent to the businesses stated in the preceding items; and
- (xlvii) businesses incidental to the businesses stated in the preceding items (limited to the business performed by the parties engaged in the business respectively stated in those items).
- (3) The business to be specified by Cabinet Office Order, as provided in Article 106, paragraph (2), item (iii) of the Act, is as follows:
- (i) business stated in items (xxxiv)-3 and (xxxv) of the preceding paragraph;
- (ii) other business to be specified by the Commissioner of the Financial Services Agency as the businesses equivalent to the businesses stated in the preceding items; and
- (iii) business stated in item (xlvii) of the preceding paragraph which is related to the business incidental to the business stated in the preceding two items.
- (4) The business to be specified by Cabinet Office Order, as provided in Article 106, paragraph (2), item (iv) of the Act, is as follows:
- (i) business stated in paragraph (2), items (xxxvi) and (xl);
- (ii) other business to be specified by the Commissioner of the Financial Services Agency as the businesses equivalent to the businesses specified in the preceding items; and
- (iii) business stated in paragraph (2), item (xlvii) which is related to the business incidental to the business stated in the preceding two items.
- (5) The business to be specified by Cabinet Office Order, as provided in Article 106, paragraph (2), item (v) of the Act, is as follows:

- (i) business stated in paragraph (2), items (xli) and (xlv);
  - (ii) other business to be specified by the Commissioner of the Financial Services Agency as the businesses equivalent to the businesses stated in the preceding items; and
  - (iii) business stated in paragraph (2), item (xlvii) which is related to the business incidental to the business stated in the preceding two items.
- (6) The provisions of Article 2, paragraph (15) of the Act apply mutatis mutandis to the voting rights provided in paragraph (2), items (xliii) and (xliv).

(Grounds Which Render the Provisions of Article 106, Paragraph (1) of the Insurance Business Act Inapplicable)

Article 57 (1) The grounds to be specified by Cabinet Office Order, as provided in the main clause of Article 106, paragraph (3) of the Act, are as follows:

- (i) acquisition of shares or equity interests by way of receipt of subrogation payment by the insurance company or its subsidiary company;
  - (ii) acquisition of voting rights represented by shares or equity interests which prohibits the insurance company or its subsidiary company from exercising the voting rights (limited to the shares or equity interests acquired due to the occurrence of the event beyond the intention of the insurance company or its subsidiary company);
  - (iii) conversion of shares in a company whose shares are owned by the insurance company or its subsidiary company (meaning the acquisition of the shares by the issuer, in which case the other type of shares are to be delivered in exchange for the shares; the same applies below) (excluding the conversion upon the request from the insurance company or its subsidiary company);
  - (iv) consolidation or split of shares in a company whose shares are owned by the insurance company or its subsidiary company, or allotment of shares without contribution (meaning the allotment of shares without contribution as provided in Article 185 (Allotment of Shares without Contribution) of the Companies Act; the same applies below);
  - (v) amendment of the details of the rights in shares or equity interests or amendment to the number of shares for one unit of shares, as affected by the amendment of the articles of incorporation of the company whose shares are owned by the insurance company or its subsidiary company;
  - (vi) acquisition of treasury shares or equity interests of a company whose shares are owned by the insurance company or its subsidiary company; and
  - (vii) acquisition of shares or equity interests by a company stated in Article 106, paragraph (1), items (xiii) through (xv) of the Act which is a subsidiary company of the insurance company.
- (2) The grounds to be specified by Cabinet Office Order, as provided in the

proviso to Article 106, paragraph (3) of the Act, are those stated in item (vii) of the preceding paragraph.

- (3) The grounds to be specified by Cabinet Office Order, as provided in Article 106, paragraph (5) of the Act, are the acquisition of shares or equity interests by the exercise of security rights by the insurance company or its subsidiary company or those stated in paragraph (1), items (i) through (vi).
- (4) The grounds to be specified by Cabinet Office Order, as provided in the main text of Article 106, paragraph (12) of the Act, are the grounds stated in the items of paragraph (1).
- (5) The grounds to be specified by Cabinet Office Order, as provided in the proviso to Article 106, paragraph (12) of the Act, are the grounds stated in item (vii) of paragraph (1).

(Business of Company Eligible to be Subsidiary Company Excluded from Scope of Insurance Company Eligible to be Subsidiary Company)

Article 57-2 The businesses to be specified by Cabinet Office Order, as provided in Article 106, paragraph (4) of the Act, are the following businesses:

- (i) the businesses stated in Article 56-2, paragraph (2), items (i) through (xxxiv)-2-2;
- (ii) the businesses stated in Article 56-2, paragraph (2), item (xlv) (excluding the businesses stated in Article 56-2, paragraph (3), item (ii), paragraph (4), item (ii) and paragraph (5), item (ii)); and
- (iii) the businesses stated in Article 56-2, paragraph (2), item (xlvii) (excluding the businesses stated in Article 56-2, paragraph (3), item (iii), paragraph (4), item (iii) and paragraph (5), item (iii)).

(Specific Categories of Advanced Insurance Service Company)

Article 57-3 The companies to be specified by Cabinet Office Order, as provided in Article 106, paragraphs (4), (13) and (16) of the Act, are the companies solely engaged in the following businesses (excluding foreign companies) or subsidiaries, related companies and related subsidiaries associated with a certification referred to in Article 44, paragraph (1) (Special Provisions for Workers Employed by Subsidiaries), Article 45, paragraph (1) or Article 45-2, paragraph (2) (Special Provisions for Workers Employed by Related Subsidiaries) of the Act to Facilitate the Employment of Persons with Disabilities (Act No. 123 of July 25, 1960; referred to below as the "Act on Employment of Persons with Disabilities" in this Article) (meaning the subsidiaries, related companies and related subsidiaries provided in Article 44, paragraph (1), Article 45, paragraph (1) or Article 45-2, paragraph (1) of the Act on Employment of Persons with Disabilities).

- (i) the businesses that contribute to or are expected to contribute to increased

- sophistication of insurance businesses conducted by the insurance company or to enhanced convenience for users of the insurance company primarily utilizing information and communication technology (excluding the businesses stated in the following items);
- (ii) businesses to offer products or services produced or provided in a specific region, with no significant risk of adversely affecting the sound and proper operation of the insurance company's businesses;
  - (iii) worker dispatching services prescribed in Article 2, item (iii) of the Act on Ensuring the Proper Operation of Worker Dispatching Services and Protecting Dispatched Workers related to a professional with highly-skilled capabilities and other professionals contributing to improving the management of business operators, etc. who are users of the insurance company (limited to the worker dispatching services implemented in relation to the management consulting service or other business conducted by the insurance company, wherein dispatched workers subject to the worker dispatching services are not regularly employed workers);
  - (iv) system design, development, or maintenance (limited to these acts relating to a system that is designed or developed solely by the insurance company or jointly with other business operators, etc., or an equivalent system), or program design, creation, sale (including the sale of peripheral equipment that is necessary in association with the sale of the program), or maintenance (limited to the act relating to a program that is designed or created solely by the insurance company or jointly with other business operators, etc., or an equivalent program) that function by using a computer for other business operators, etc. (excluding business stated in item (i));
  - (v) business of advertising, publicizing, investigating, analyzing information, or providing information related to the operations of other business operators, etc.;
  - (vi) business of maintenance, inspection and any other type of management of automated teller machines, etc. of other business operators;
  - (vii) business to provide consultation concerning the adult guardian system, providing assistance for services of a guardian of an adult, etc. (meaning a guardian of an adult, etc. provided in Article 2, paragraph (1) (Definitions) of the Act on Promotion of Utilization of Adult Guardian System (Act No. 29 of 2016); the same applies below in this item) and any other business to perform the services of a guardian of an adult, etc.;
  - (viii) any business that is necessary in connection with the businesses stated in the preceding items, that can be conducted by a company eligible to be a subsidiary company (meaning a company eligible to be a subsidiary company provided in Article 106, paragraph (1) of the Act, but excluding the companies stated in items (xiii) through (xvi) of that paragraph); and

(ix) the businesses incidental to those stated in the preceding items.

(Business of Foreign Specified Finance-Related Services Company)

Article 57-4 The businesses to be specified by Cabinet Office Order, as provided in Article 106, paragraph (6), item (i) of the Act, are the businesses stated in Article 56-2, paragraph (2), items (xiii), (xx), (xxi) and (xxiii) and the businesses incidental to these businesses.

(Application for Authorization for Holding Insurance Company Eligible to be a Subsidiary Company as Subsidiary Company)

Article 58 (1) If an insurance company seeks to obtain an authorization of holding an insurance company, etc. eligible to be a subsidiary company (meaning an insurance company, etc. eligible to be a subsidiary company as provided in Article 106, paragraph (4) of the Act, and excluding an advanced insurance service company (excluding a company provided in Article 57-3); the same applies below in this Article), it must submit to the Commissioner of the Financial Services Agency the written application for authorization, attaching the following documents:

(i) a written statement of reasons;

(ii) the following documents related to the insurance company:

(a) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (when the insurance company is a mutual company, a document on appropriation of surplus or disposition of loss and the statement of changes in funds, etc.) and any other document disclosing the recent status of business, properties and profits and losses;

(b) the document stating the prospective income and expenditure after the grant of the authorization;

(c) if an insurance company, etc. eligible to be a subsidiary company is to become a subsidiary company due to the implementation of the share exchange (including the share exchange on entity conversion as provided in Article 96-5, paragraph (1) of the Act), the following documents:

1. the minutes of shareholders meetings, or any other documents certifying that necessary procedures have been followed;

2. a document stating the content of the share exchange contract (including contract for share exchange on entity conversion);

3. a document stating the costs for the share exchange;

(d) the following documents when an insurance company, etc. eligible to be a subsidiary company is to become a subsidiary company as a result of a partial share exchange:

1. minutes of shareholders meetings or other documents proving that necessary procedures were followed;

- 2. a document stating the content of the partial share exchange plan;
- 3. a document stating the cost for the partial share exchange;
- (iii) the following documents related to the insurance company and its subsidiary company, etc. (meaning subsidiary company, etc. as provided in Article 110, paragraph (2) of the Act; the same applies below in this Article and Article 58-2, paragraph (1), item (iii) and paragraph (2), items (ii) and (iv)):
  - (a) the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc. (if the insurance company is a mutual company, the statement of changes in funds, etc.) (including documents similar to these documents) of the insurance company and its subsidiary company, etc. prepared in a consolidated manner, and any other document disclosing the recent status of business, properties and profit and loss of these companies;
  - (b) the document specifying the prospective income and expenditure and the prospective ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc. (meaning a ratio derived from the formula related to the criteria regarding the appropriateness of the level of solvency in terms of its ability to pay for insurance proceeds, etc. as referred to in Article 130 of the Act (limited to those specified by using the amount stated in the items of the same Article related to the insurance company and its subsidiary company, etc.); the same applies below in this Chapter through Chapter VI, and Article 94, paragraph (1), item (viii) of the insurance company and its subsidiary company, etc. (including a company which is to become the subsidiary company) after the authorization is granted;
- (iv) the following documents related to an insurance company, etc. eligible to be a subsidiary company for which the authorization is sought (including a holding company subject to special provisions provided in Article 106, paragraph (6), item (i) of the Act which holds the insurance company, etc. eligible for subsidiary company as its subsidiary company):
  - (a) a document describing the name, and the location of its principal business office or principal office;
  - (b) a document describing the details of business;
  - (c) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (including documents similar to these documents) and any other document disclosing the recent status of business, properties, profits and losses;
  - (d) a document describing the job titles and names of the officers (if any of its officer is a corporation, the officers include a person who is to perform the duties of that corporation);

- (v) if the insurance company or its subsidiary company, etc. holds the total number of voting rights in domestic companies in excess of the voting right holding threshold, as a consequence of holding of the insurance company, etc. eligible to be a subsidiary company for which the authorization is sought, the document specifying the name of the domestic companies and the details of their business; and
  - (vi) a document stating any other matters which would serve as reference information for performance of the examination provided in the following paragraph.
- (2) If the application for approval under the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether the application conforms to the criteria stated in the following:
- (i) that the amount of stated capital or the funds in the insurance company which has filed the application (referred to below as the "applicant insurance company" in this paragraph) is sufficient to acquire or hold the voting rights in the insurance company, etc. eligible to be a subsidiary company;
  - (ii) that the recent status of business, properties, losses and profits of the applicant insurance company are satisfactory;
  - (iii) that the profit and expenditure as well as the ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc. of the applicant insurance company and its subsidiary company, etc. at the time of filing the application is sound, and that they have good prospects for income and expenditure even after making the insurance company, etc. eligible to be a subsidiary company as its subsidiary company, etc.;
  - (iv) that the applicant insurance company is able to implement measures to secure sound and proper performance of the business of the insurance company, etc. eligible to be a subsidiary company; and
  - (v) that the insurance company, etc. eligible to be a subsidiary company for which the authorization is sought is able to implement its business in a precise and fair manner.
- (3) The provisions of the preceding two paragraphs apply mutatis mutandis to the authorization referred to in the proviso to Article 106, paragraph (5) of the Act (excluding authorization relating to the continued holding of the voting rights in an advanced insurance service company engaged in non-insurance businesses which the insurance company or its subsidiary company came to acquire or hold in excess of the voting right holding threshold, in total) and the authorization referred to in paragraph (4) of that Article as applied mutatis mutandis pursuant to paragraph (7) of that Article.
- (4) If an insurance company seeks to obtain an approval referred to in Article 106, paragraph (8), it must submit to the Commissioner of the Financial Services Agency the written application for approval, attaching the following

documents:

- (i) a written statement of reasons;
  - (ii) the following documents related to the foreign company other than a company eligible to be a subsidiary company (meaning a company eligible to be a subsidiary company provided in Article 106, paragraph (1) of the Act; the same applies below in this Article) that is subject to the approval:
    - (a) a document stating the name, and the location of its principal business office or principal office;
    - (b) a document stating the contents of business;
    - (c) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (including documents similar to these documents) and any other document disclosing the recent status of business, properties, profits and losses;
    - (d) a document stating the job titles and names of the officers (if any of its officer is a corporation, the officers include a person who is to perform the duties of the relevant corporation); and
  - (iii) a document stating any other matters which would serve as reference information in an examination relating to approval referred to in Article 106, paragraph (8) of the Act.
- (5) If an insurance company seeks to apply for extension under Article 106, paragraph (10) of the Act, it must attach the following documents to a written application for extension and submit them to the Commissioner of the Financial Services Agency:
- (i) a written statement of reasons;
  - (ii) a document stating the policies on holding the voting rights of the foreign company other than a company eligible to be a subsidiary company that is subject to the extension;
  - (iii) the following documents related to the foreign company other than a company eligible to be a subsidiary company that is subject to the extension:
    - (a) a document stating the name, and the location of its principal business office or principal office;
    - (b) a document stating the contents of business;
    - (c) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (including documents similar to these documents) and any other document disclosing the recent status of business, properties, profits and losses;
    - (d) a document stating the job titles and names of the officers (if any of its officer is a corporation, the officers include a person who is to perform the duties of the relevant corporation); and
  - (iv) a document stating any other matters which would serve as reference information in an examination relating to extension under Article 106,

paragraph (10) of the Act.

(6) If an insurance company seeks to obtain authorization referred to in Article 106, paragraph (11) of the Act, it must attach the following documents to a written application for authorization and submit them to the Commissioner of the Financial Services Agency:

(i) a written statement of reasons;

(ii) the following documents concerning the insurance company:

(a) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (if the insurance company is a mutual company, a statement of changes in funds, etc.), and other documents disclosing the recent status of business, properties, and profits and losses;

(b) a document stating an estimation of income and expenditures after obtaining the authorization;

(iii) the following documents concerning the insurance company and its subsidiary companies, etc.:

(a) the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc. (including documents similar to these documents) of the insurance company and its subsidiary company, etc. prepared in a consolidated manner, and any other document disclosing the recent status of business, properties and profits and losses of these companies;

(b) a document stating the estimation of income and expenditures and the prospective ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc. of the insurance company and its subsidiary company, etc. (including a company which is to become a subsidiary company) after the authorization is granted;

(iv) the following documents related to the foreign company other than a company eligible to be a subsidiary company that is subject to the authorization:

(a) a document stating the name, and the location of its principal business office or principal office;

(b) a document stating the contents of business;

(c) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (including documents similar to these documents) and any other document disclosing the recent status of business, properties, profits and losses;

(d) a document stating the job titles and names of the officers (if any of its officer is a corporation, the officers include a person who is to perform the duties of the relevant corporation);

(v) if the insurance company or its subsidiary company, etc. holds the total number of voting rights in domestic companies in excess of the voting right

- holding threshold, as a consequence of acquiring or holding of a foreign company other than the insurance company, etc. eligible for subsidiary company for which the authorization is sought as its subsidiary company, the document stating the name of the domestic companies and the details of their business; and
- (vi) a document stating any other matters which would serve as reference information for performance of the examination provided in the following paragraph.
- (7) If the application for authorization under the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether the application conforms to the criteria stated in the following:
- (i) that the amount of stated capital or the funds in the insurance company which has filed the application (referred to below as the "applicant insurance company" in this paragraph) is sufficient to acquire or hold the voting rights in the foreign company other than the insurance company, etc. eligible for subsidiary company;
- (ii) that the recent status of business, properties, losses and profits of the applicant insurance company are satisfactory;
- (iii) that the profit and expenditure as well as the ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc. of the applicant insurance company and its subsidiary company, etc. at the time of filing the application is sound, and that they have good prospects for income and expenditure as well as the ratio even after making the foreign company other than the insurance company, etc. eligible for subsidiary company as its subsidiary company, etc.;
- (iv) that the applicant insurance company is able to implement measures to secure sound and proper performance of the business of the foreign company other than the insurance company, etc. eligible for subsidiary company; and
- (v) that the foreign company other than the insurance company, etc. eligible for subsidiary company for which the authorization is sought is able to implement its business in a precise and fair manner.
- (vi) in light of securing competitiveness of a foreign company eligible to be a subsidiary company (meaning a foreign company eligible to be a subsidiary company provided in Article 106, paragraph (9), item (i) of the Act) or a foreign specified finance-related services company (meaning a foreign specified finance-related services company provided in item (i), paragraph (6) of that Article; the same applies below in this item) (in the case of a foreign specified finance-related services company, limited to the competitiveness of its finance-related services (meaning the finance-related services provided in item (ii), paragraph (2) of that Article)) that an applicant insurance company has as its subsidiary company or any other circumstances, it is found to be

necessary for the applicant insurance company to acquire the foreign company other than a foreign company eligible to be a subsidiary company (excluding a foreign specified finance-related services company) as its subsidiary company;

- (8) The provisions of the preceding two paragraphs apply mutatis mutandis to the authorization referred to in the proviso to Article 106, paragraph (12) of the Act.
- (9) The provisions of paragraphs (1) and (2) apply mutatis mutandis to the authorization referred to in Article 106, paragraph (4) of the Act as applied mutatis mutandis pursuant to paragraph (13) of that Article (excluding authorization for holding a subsidiary company which is an advanced insurance service company engaged in non-insurance businesses).
- (10) The provisions of paragraph (4) apply mutatis mutandis to the authorization referred to in Article 106, paragraph (14) of the Act.
- (11) The provisions of Article 2, paragraph (15) of the Act apply mutatis mutandis to the voting rights provided in paragraph (1), item (v) and paragraph (2), item (i) (including as applied mutatis mutandis pursuant to paragraphs (3) and (9)), paragraph (3), paragraph (5), item (ii), paragraph (6), item (v) and paragraph (7), item (i) (including as applied mutatis mutandis pursuant to paragraph (8)).

(Application for Authorization Related to Holding of an Advanced Insurance Service Company Engaged in Non-Insurance Businesses as a Subsidiary Company)

Article 58-2 (1) If an insurance company seeks to obtain authorization relating to the acquisition or holding of voting rights in an advanced insurance service company engaged in non-insurance businesses in a total number that exceeds the company's voting right holding threshold or the making of a foreign advanced insurance service company its subsidiary company, it must attach the following documents to a written application for authorization and submit them to the Commissioner of the Financial Services Agency:

- (i) a written statement of reasons;
- (ii) the following documents related to the insurance company:
  - (a) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (if the insurance company is a mutual company, a document on appropriation of surplus or disposition of loss and a statement of changes in funds, etc.), and any other documents disclosing the recent status of business, properties, and profits and losses;
  - (b) a document stating an estimation of income and expenditures after obtaining the authorization;
  - (c) if the insurance company or its subsidiary company intend to acquire or

hold voting rights in an advanced insurance service company engaged in non-insurance businesses in excess of the voting right holding threshold on an aggregated basis, or to hold a foreign advanced insurance service company engaged in non-insurance businesses as its subsidiary company, as a result of the share exchange (including share exchange on entity conversion provided in Article 96-5, paragraph (1) of the Act), the following documents:

1. minutes of shareholders meetings or other documents proving that necessary procedures were followed;
  2. a document stating the content of the share exchange contract (including a contract for share exchange on entity conversion);
  3. a document stating the costs for the share exchange;
- (d) when the insurance company or its subsidiary company intend to acquire or hold voting rights in an advanced insurance service company engaged in non-insurance businesses in excess of the voting right holding threshold on an aggregated basis, or to hold a foreign advanced insurance service company as its subsidiary company, as a result of the partial share exchange, the following matters:
1. minutes of shareholders meetings or other documents proving that necessary procedures were followed;
  2. a document stating the content of the partial share exchange plan;
  3. a document stating the cost for the partial share exchange;
- (iii) the following documents concerning the insurance company and its subsidiary companies, etc.:
- (a) the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc. (if the insurance company is a mutual company, a statement of changes in funds, etc.) (including documents similar to these documents) of the insurance company and its subsidiary company, etc. prepared in a consolidated manner, and any other document disclosing the recent status of business, properties, and profits and losses of these companies;
  - (b) the document stating the prospective income and expenditure and the prospective ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc. of the insurance company and its subsidiary company, etc. (including a company which is to become the subsidiary company, etc.) after the authorization is granted;
- (iv) the following documents relating to the advanced insurance service company engaged in non-insurance businesses or the foreign advanced insurance service company (collectively referred to as an "advanced insurance service company engaged in non-insurance businesses, etc." in the following paragraph);

- (a) a document stating the name, and the location of its principal business office or principal office;
  - (b) a document stating the content of the business and the system for executing the business;
  - (c) the latest balance sheet, profit and loss statement, statement of changes in shareholders' equity, etc. (including documents similar to these documents) and any other document disclosing the recent status of business, properties, profits and losses; and
  - (d) a document stating the job titles and names of the officers (if any of its officer is a corporation, the officers include a person who is to perform the duties of the relevant corporation);
  - (v) if the insurance company or its subsidiary company holds voting rights in domestic companies in a total number that exceeds the company's voting right holding threshold, as a consequence of acquiring or holding of voting rights in the advanced insurance service company engaged in non-insurance businesses subject to the authorization in a total number that exceeds the company's voting right holding threshold or making a foreign advanced insurance service company its subsidiary company, the document stating the name of the domestic companies and the details of their business; and
  - (vi) a document stating any other matters which would serve as reference information for performance of the examination under the following paragraph.
- (2) If the application for approval under the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether the application conforms to the criteria stated in the following:
- (i) that the amount of stated capital or the funds of the insurance company which has filed the application (referred to below as the "applicant insurance company" in this paragraph) is sufficient to acquire or hold the voting rights in the advanced insurance service company engaged in non-insurance businesses related to the application;
  - (ii) even if the whole amount of investment in the advanced insurance service company engaged in non-insurance businesses related to the application is lost, the conditions of properties, and profits and losses of the applicant insurance company and its subsidiary companies, etc. (excluding the company that is to become a subsidiary company, etc. based on the authorization) are expected to be satisfactory;
  - (iii) that the recent status of business, properties, losses and profits of the applicant insurance company are satisfactory;
  - (iv) the income and expenditure and the prospective ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc. of the applicant insurance company and its subsidiary companies, etc. are

- satisfactory at the time of the application and are expected to also remain satisfactory after the applicant insurance company or its subsidiary companies acquire or hold voting rights in the advanced insurance service company engaged in non-insurance businesses subject to that authorization in a number that exceeds the voting right holding threshold, or make a foreign advanced insurance service company engaged in non-insurance businesses as its subsidiary company;
- (v) that the foreign company other than the advanced insurance service company engaged in non-insurance businesses subject to the authorization is able to implement its business in a precise and fair manner.
  - (vi) that the applicant insurance company or its subsidiary companies acquire or hold voting rights in the advanced insurance service company engaged in non-insurance businesses for which the authorization is sought in a total number that exceeds the voting right holding threshold, or make a foreign advanced insurance service company engaged in non-insurance businesses its subsidiary company, which could, as a result, potentially contribute to increased sophistication of the insurance business that the applicant insurance company conducts or to enhanced convenience for users of the applicant insurance company, or contribute to regional development, improvement of industrial productivity, and other services for building a sustainable society;
  - (vii) in light of the status of business of the applicant insurance company, no serious risk that may affect the sound and appropriate management of the services of the applicant insurance company even after the applicant insurance company or its subsidiary companies acquire or hold voting rights in the advanced insurance service company engaged in non-insurance businesses subject to that authorization in a total number that exceeds the voting right holding threshold, or make a foreign advanced insurance service company engaged in non-insurance businesses as its subsidiary company is found;
  - (viii) no serious risk of the applicant insurance company wrongfully using its advantageous position as an insurance company in a transaction to put its customer at a disadvantage in terms of conditions or implementation of a transaction connected with its services is found; or no serious risk of the advanced insurance service company engaged in non-insurance businesses subject to the relevant authorization wrongfully using its advantageous position in a transaction that involves its services to put its customer at a disadvantage in terms of conditions or implementation of a transaction connected with its services is found; and
  - (ix) no serious risk that the interests of customers of the services carried out by the applicant insurance company or by the advanced insurance service

company engaged in non-insurance businesses subject to the relevant authorization will be unduly harmed in connection with transactions conducted by the applicant insurance company or the advanced insurance service company engaged in non-insurance businesses is found.

- (3) The provisions of the preceding two paragraphs apply *mutatis mutandis* to the authorization referred to in the proviso to Article 106, paragraph (5) of the Act (limited to the authorization relating to the continued holding of the voting rights in an advanced insurance service company engaged in non-insurance businesses which the insurance company or its subsidiary companies has acquired or come to hold in a total number that exceeds the voting right holding threshold, and the authorization of continued holding of the foreign advanced insurance service company which has become their subsidiary).
- (4) The provisions of paragraphs (1) and (2) apply *mutatis mutandis* to the authorization referred to in Article 106, paragraph (4) of the Act as applied *mutatis mutandis* pursuant to paragraph (13) of that Article (limited to the authorization relating to the holding of a subsidiary company which is an advanced insurance service company engaged in non-insurance businesses as its subsidiary) and the authorization referred to in paragraph (16) of that Article.
- (5) The provisions of Article 2, paragraph (15) of the Act apply *mutatis mutandis* to the voting rights provided in paragraph (1), paragraph (2), items (i), (iv), (vi) and (vii) (including as applied *mutatis mutandis* pursuant to the preceding two paragraphs) and paragraph (3).

(Particulars of Insurance Company Group's Business Management by Insurance Company)

- Article 58-3 (1) The policies to be specified by Cabinet Office Order, as provided in Article 106-2, paragraph (2), item (i) of the Act, are the following policies:
- (i) policies concerning income and expenditure, capital allocation, management of funds and the level of solvency in terms of ability to pay out insurance proceeds, etc. regarding the insurance company group (meaning an insurance company group provided in Article 106-2, paragraph (1) of the Act; the same applies below) and other policies concerning risk management; and
  - (ii) policies concerning the development of the insurance company group's crisis management systems in preparation for events such as disasters.
- (2) The system specified by Cabinet Office Order, as provided in Article 106-2, paragraph (2), item (iii) of the Act, is a system to ensure that the directors, executive officers, members who execute business, persons who are to perform the duties referred to in Article 598, paragraph (1) of the Companies Act, and other equivalent persons, and employees, all of whom belong to the companies that belong to the insurance company group, perform their respective duties in

the insurance company in compliance with laws and regulations.

- (3) The activity specified by Cabinet Office Order, as provided in Article 106-2, paragraph (2), item (iv) of the Act, is to formulate a business reconstruction plan (meaning a plan for business reconstruction of an insurance company group that needs to improve the conditions of its business management or assets; the same applies below in this paragraph) for the insurance company group (limited to an insurance company group designated by the Commissioner of the Financial Services Agency as one that needs to formulate a reconstruction plan), and ensuring the proper implementation.

(Grounds Which Render the Provisions of Article 107, Paragraph (1) of the Insurance Business Act Inapplicable)

Article 58-4 (1) The grounds to be specified by Cabinet Office Order, as provided in Article 107, paragraph (2) of the Act, are as follows:

- (i) acquisition of shares or equity interests by way of exercise of security rights by the insurance company or its subsidiary company;
- (ii) acquisition of shares or equity interests by way of receipt of subrogation payment by the insurance company or its subsidiary company;
- (iii) acquisition of shares or equity interests by the insurance company or its subsidiary company in accordance with the streamlined management improvement plan between the customer companies (limited to the acquisition implemented for the purpose of eliminating the obligations of the company against the insurance company or its subsidiary company; and limited to the case where the implementation of the acquisition is expected to improve to the management of the company in a reasonable period of time);
- (iv) acquisition of voting rights represented by shares or equity interests which prohibits the insurance company or its subsidiary company from exercising the voting rights (limited to the shares or equity interests acquired due to the occurrence of the event beyond the intention of the insurance company or its subsidiary company);
- (v) conversion of shares in a company whose shares are owned by the insurance company or its subsidiary company (excluding the conversion upon the request from the insurance company or its subsidiary company);
- (vi) consolidation or split of shares in a company whose shares are owned by the insurance company or its subsidiary company, or allotment of shares without contribution;
- (vii) amendment of the details of the rights in shares or equity interests or amendment to the number of shares for one unit of shares, as affected by the amendment of the articles of incorporation of the company whose shares are owned by the insurance company or its subsidiary company;
- (viii) acquisition of treasury shares or equity interests of a company whose

- shares are owned by the insurance company or its subsidiary company;
- (ix) when the voting rights in a new business marketing company, etc. is to be disposed under Article 56, paragraph (14), or when the voting rights in a business restructuring company is to be disposed under paragraph (15) of that Article, and the relevant voting rights cannot be disposed on the grounds that it is extremely difficult to transfer the voting rights due to any reasons that are found to be compelling; and
  - (x) the case where approved by the Commissioner of the Financial Services Agency in advance as the cases where any reasonable grounds exist, such as conversion of shares (excluding the conversion of shares due to the grounds stated in item (v)) necessary for disposition of shares issued by the customer of the insurance company or its subsidiary company acquired in accordance with the streamlined business improvement plan, in a reasonable period of time in connection with the improvement of management of the company.
- (2) If the insurance company seeks to obtain the approval under item (x) of the preceding paragraph, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching the following documents:
- (i) a written statement of reasons;
  - (ii) a document specifying the trade name and business details of the domestic company for which the approval is sought;
  - (iii) a document specifying the policy for disposition method of the portion of the voting rights in domestic companies related to the approval acquired or possessed in excess of the voting right holding threshold;
  - (iv) a document stating any other matters which would serve as reference information for performance of the examination provided in the following paragraph.
- (3) When the application for approval under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether there exist reasonable grounds for the insurance company which has filed the application will own or possess the voting rights in excess of the voting right holding threshold, and whether the policy for disposition method of the portion of the voting rights acquired or possessed in excess of the voting right holding threshold is adequate.

#### (Applications for Approval for Holding Voting Rights in Excess of Voting Rights Threshold)

Article 58-5 (1) If an insurance company seeks to obtain the approval of holding voting rights in excess of the voting right holding threshold, it must submit to the Commissioner of the Financial Services Agency a written application for authorization, attaching the documents stated in the following items:

- (i) a written statement of reasons;
  - (ii) a document specifying the trade name and business details of the domestic company for which the approval is sought;
  - (iii) a document specifying the policy for disposition method of the portion of the voting rights in domestic companies related to the approval acquired or possessed in excess of the voting right holding threshold;
  - (iv) a document stating any other matters which would serve as reference information for performance of the examination provided in the following paragraph.
- (2) When the application for approval under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether there exist reasonable grounds for the insurance company which has filed the application or its subsidiary company will own or possess the voting rights in excess of the voting right holding threshold.
- (3) The provisions of Article 2, paragraph (15) of the Act apply mutatis mutandis to the voting rights as provided in paragraph (1), item (iii).

(Case Where Voting Rights in Excess of Voting Right Holding Threshold Is Permitted)

- Article 58-6 (1) The cases to be specified by Cabinet Office Order, as provided in Article 107, paragraph (4), item (i) of the Act, are the cases where the insurance company, with the authorization referred to in Article 96-10, paragraph (1) of the Act, made other insurance company, bank, long term credit bank, company specialized in securities or company specialized in brokerage of securities as its subsidiary company as a result of a partial share exchange on entity conversion.
- (2) The cases to be specified by Cabinet Office Order, as provided in Article 107, paragraph (4), item (ii) of the Act, are the cases where the insurance company, with the authorization referred to in Article 106, paragraph (4) of the Act, made other insurance company, bank, long term credit bank, company specialized in securities or company specialized in brokerage of securities as its subsidiary company.
- (3) The cases to be specified by Cabinet Office Order, as provided in Article 107, paragraph (4), item (iii) of the Act, are as follows:
- (i) the cases where the insurance company, with the authorization referred to in Article 142 of the Act, acquired the business of other insurance company; and
  - (ii) the cases where the insurance company, due to acquisition of business with the authorization referred to in Article 142 of the Act, made other insurance company, bank, long term credit bank, company specialized in securities or company specialized in brokerage of securities as its subsidiary company

(excluding the case stated in the preceding item).

(4) The cases to be specified by Cabinet Office Order, as provided in Article 107, paragraph (4), item (v) of the Act, are as follows:

- (i) the cases where the insurance company, due to an absorption-type company split with the authorization referred to in Article 173-6, paragraph (1) of the Act, succeeded to the business of other insurance company through an absorption-type company split; and
- (ii) the cases where the insurance company, due to an absorption-type company split with the authorization referred to in Article 173-6, paragraph (1) of the Act, made other insurance company, bank, long term credit bank, company specialized in securities or company specialized in brokerage of securities as its subsidiary company (excluding the case stated in the preceding item).

(Companies Subject to Special Provisions)

Article 58-7 (1) The company specified by Cabinet Office Order, as provided in Article 107, paragraph (8) of the Act, is a company which falls under any of the following items or a company which prepares a business revitalization plan with the involvement of Regional Economy Vitalization Corporation of Japan (limited to a company that does not fall under a subsidiary company, etc. of an insurance company; collectively referred to as a "business restructuring company under special provisions" in paragraph (3) and Article 85, paragraph (1), item (xi)):

- (i) a company that has received capital contribution from an investment limited partnership in which a stock company to be established through the implementation of the business stated in Article 22, paragraph (1), item (vi) (Scope of Operations) of the Act on Regional Economy Vitalization Corporation of Japan is an unlimited liability partner and which falls under any of the following:
    - (a) the insurance company or its subsidiary company is a partner of the investment limited partnership;
    - (b) the insurance company or its subsidiary company makes capital contribution to the stock company; or
  - (ii) a company that was established for the purpose of undertaking a business revitalization or of creating a new business that draws upon the distinctive features of the region or carrying out other business activities that contribute to the revitalization of the regional economy, and which implements a business plan formulated with the involvement of one of the entities that falls under Article 56, paragraph (6), item (ix), (a) through (g).
- (2) Beyond the companies as provided in the preceding paragraph, a company (limited to a company which is not a subsidiary company, etc. of an insurance company) which fell under the company as provided in the preceding

paragraph, at the time when the voting rights were acquired by an insurance company or its subsidiary company (including a company which becomes a subsidiary company; the same applies below in this paragraph) due to the grounds other than those stated in Article 58-4, paragraph (1), item (i) or (ii) (when the voting rights in that company were acquired on two or more occasions by the insurance company or its subsidiary company, at the time of the latest occasion of the acquisition due to the grounds other than the relevant ground) is to be treated as a company in relation to the insurance company falling under the company to be specified by Cabinet Office Order, as provided in Article 107, paragraph (8) of the Act, unless the voting rights in that company are newly acquired due to the grounds other than the relevant ground.

- (3) Notwithstanding the provisions of paragraph (1), if a specified subsidiary company fails to dispose of the acquired voting rights in a business restructuring company under special provisions by the cut-off date (meaning the day on which the period of ten years has elapsed from the date of the acquisition of the voting rights; the same applies below in this paragraph), the business restructuring company under special provisions is not considered to be a company specified by Cabinet Office Order as provided in Article 107, paragraph (8) of the Act in relation to the insurance company from the day following the cut-off date; provided, however, that this does not apply to the case where the disposition of the voting rights would result in the number of voting rights in the business restructuring company under special provisions held by the insurance company or its subsidiary company falling below the voting right holding threshold (meaning the number of the voting rights derived by multiplying the all shareholders' voting rights by 10 percent; the same applies below in this paragraph) as of the cut-off date; and where the specific subsidiary company, between the acquisition date and the cut-off date, disposes the portion of the voting rights exceeding the voting right holding threshold of the voting rights in the business restructuring company under special provisions held by the insurance company or its subsidiary company as of the cut-off date.
- (4) A company to which an insurance company is specially related, specified by Cabinet Office Order, as provided in Article 107, paragraph (8) of the Act, is a company whose voting rights in excess of the number of voting rights obtained by multiplying the number of all shareholders' voting rights by 10 percent are held by a new business marketing company, etc. or business restructuring company (limited to a company whose voting rights in excess of the number of voting rights obtained by multiplying the number of all shareholders' voting rights by 10 percent are not held by the insurance company or its subsidiary company other than its subsidiary new business marketing company, etc. or

business restructuring company in total).

- (5) The provisions of Article 2, paragraph (15) of the Act apply mutatis mutandis to the voting rights as provided in the preceding three paragraphs.

## **Chapter V Accounting**

### **(Business Report)**

- Article 59 (1) An interim business report as provided in Article 110, paragraph (1) of the Act must reflect the status of business and properties for the period between the day of commencement of the business year and September 30 of the relevant business year, and must be submitted within three months from the end of the relevant period, in accordance with Appended Form No. 6 (or Appended Form No. 6-2, in the case of a company with specified transaction account), and categorized as follows: in the case of a stock company which is an insurance company, interim business report, interim balance sheet (including the relevant notes; the same applies below), interim profit and loss statement (including the notes in reference thereto; the same applies below), interim cash flow statement, interim statement of changes in shareholders' equity (including the notes in reference thereto; the same applies below) and a document disclosing the level of solvency in terms of ability to pay out insurance proceeds, etc.; or, in the case of a mutual company which is an insurance company, interim business report, interim balance sheet, interim profit and loss statement, interim cash flow statement, interim statement of changes in members' equity (including the notes in reference thereto; the same applies below) and a document disclosing the level of solvency in terms of ability to pay out insurance proceeds, etc.
- (2) A business report as provided in Article 110, paragraph (1) of the Act must be submitted within four months from the end of the business year, in accordance with Appended Form No. 7 (or Appended Form No. 7-2, in the case of a company with specified transaction account), and categorized as follows: in the case of a stock company which is an insurance company, business report, supplementary schedule, a document concerning the matters related to the shareholders meeting, balance sheet, profit and loss statement, cash flow statement, interim statement of changes in shareholders' equity and a document disclosing the level of solvency in terms of ability to pay out insurance proceeds, etc.; or, in the case of a mutual company which is an insurance company, business report, supplementary schedule, a document concerning the matters related to the general meeting or the member representatives meeting, balance sheet, profit and loss statement, cash flow statement, statement of disposition of surplus and treatment of loss, statement of changes in members' equity, documents concerning redemption of fund,

document concerning payment of interest from fund and a document disclosing the level of solvency in terms of ability to pay out insurance proceeds, etc.

- (3) The companies having special relationship to be specified by Cabinet Office Order, as provided in Article 110, paragraph (2) of the Act (referred to below as "subsidiary company, etc. in this Article and in Article 59-3), are as follows:
- (i) a subsidiary corporation, etc. of the insurance company; and
  - (ii) an affiliated corporation, etc. of the insurance company.
- (4) An interim business report provided in Article 110, paragraph (2) of the Act must reflect the status of business and properties for the period between the day of commencement of the business year and September 30 of the relevant business year, and must be submitted within three months from the end of the relevant period, in accordance with Appended Form No. 6-3 and categorized into the interim business outline statement, interim consolidated financial statements and a document disclosing the level of solvency in terms of ability to pay out insurance proceeds, etc.
- (5) A business report provided in Article 110, paragraph (2) of the Act must be submitted within four months from the end of the business year, in accordance with Appended Form No. 7-3 and categorized into the business outline statement, the consolidated financial statements and a document disclosing the level of solvency in terms of ability to pay out insurance proceeds, etc.
- (6) When, due to any inevitable grounds, an insurance company is unable to submit its interim business report or business report under paragraph (1), (2) or (4) or (5) within the time limit respectively provided in those paragraphs, it may, with an approval from the Commissioner of the Financial Services Agency in advance, postpone the submission.
- (7) If an insurance company seeks to obtain the approval under the preceding paragraph, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching a written statement of reasons.

(Matters to Be Contained in Explanatory Document on Status of Business and Properties)

Article 59-2 (1) The matters to be specified by Cabinet Office Order, as provided in Article 111, paragraph (1) of the Act, are as follows:

- (i) the following matters related to the overview and organization of the insurance company:
  - (a) organizations for business management;
  - (b) in the case of a stock company, the following matters related to ten or more shareholders in accordance with the descending order of the number of the shares held:
    - 1. name (if the shareholder is a corporation or any other organization, the

- name of the organization);
- 2. the number of shares held by each of the shareholder;
- 3. the ratio of the number of shares held by each shareholder to the total number of the shares issued;
- (c) in the case of a mutual company, the following matters related to five or more shareholders in accordance with the descending order of the amount of the funds contributed:
  - 1. name (if the fund contributor is a corporation or any other organization, the name of the organization);
  - 2. the amount of fund contributed by each of the fund contributors;
  - 3. the ratio of each of the amount of contribution to the total amount of the fund;
- (d) the names and job titles of directors and company auditors (or directors, in the case of a company with audit and supervisory committee; or directors and executive officers, in the case of a company with nominating committee, etc.);
- (e) the name of the accounting advisor, in the case of a company with accounting advisors;
- (f) the name of the financial auditor;
- (ii) the details of the principal business of the insurance company (if the insurance proceeds trust business is to be conducted, including the details of the insurance proceeds trust business);
- (iii) the following matters related to the principal business of the insurance company:
  - (a) the overview of the business for the most recent business year;
  - (b) the following matters, which are the indicators of the status of principal business for the latest five business years (regarding the matters stated in 15. through 19., limited to the cases where the insurance proceeds trust business is to be conducted):
    - 1. ordinary profit;
    - 2. ordinary profit or ordinary loss;
    - 3. net profit for the period or net loss for the period (or net surplus for the period or net loss for the period, in the case of a mutual company);
    - 4. the amount of stated capital, and the total amount of the shares issued (in the case of a mutual company, the amount of the funds (including reserve for Redemption of Fund as referred to in Article 56 of the Act));
    - 5. amount of net assets (limited to the case of a non-insurance company which is a stock company);
    - 6. total amount of assets; amount of assets posted on the special account or accumulation account;
    - 7. outstanding amount of policy reserve;

8. outstanding amount of loans;
9. outstanding amount of securities;
10. ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc. (meaning a ratio derived from the formula related to the criteria regarding the appropriateness of the solvency margin for insurance proceeds, etc. as referred to in Article 130 of the Act (limited to those specified by using the amount stated in the items of the same Article related to the insurance company); the same applies in Article 86, paragraph (2)) and the ratio prescribed in paragraph (1), item (ii), (b), 7. of the following Article (limited to the case where the amount stated in the items of Article 130 of the Act related to the insurance company and its subsidiary company, etc. exists and the explanatory documents under Article 111, paragraph (2) of the Act has not been prepared);
11. trends in dividends (limited to the case of a non-insurance company which is a stock company);
12. in the case of a mutual company, the total of the following ratios: the members' dividend reserve referred to in Article 30-5, paragraph (1), item (i) to the amount calculated pursuant to the provisions of Article 30-4; and the amount to be reserved as the members' dividend equilibrium reserve under item (ii) of the same paragraph to the amount calculated pursuant to the provisions of Article 30-4;
13. the number of employees;
14. the contracted amount (in the case of a non-life insurance company, the amount of the net insurance premiums);
15. trust fees;
16. outstanding amount of loans from trust account;
17. outstanding securities in trust account (excluding the matters stated in 18.);
18. outstanding balance of electronically recorded transferable rights to be indicated on securities, etc. in the trust account;
19. amount of trust properties;
- (c) the following matters, which are the indicators of the status of business for the latest two business years;
- (d) the matters listed as the outstanding policy reserve in the Appended Form;
- (e) in the case of a non-life insurance company, the following matters in relation to the latest five business years:
  1. the amount of payment reserve set aside in the business year immediately prior to the relevant business year, less total of the insurance proceeds paid in relation to the insured event accrued before

- the preceding business year as posted for the relevant business year and the payment reserve set aside in the relevant business year (excluding the reserve under the contract for automobile damage liability insurance as provided in Article 5 of the Automobile Liability Security Act and the earthquake insurance contract as provided in Article 2, paragraph (2) of the Act on Earthquake Insurance);
2. the total of the payment reserve and accumulative insurance proceeds paid in each business year before the most recent business year, which is related to the insured events itemized by the business year in which the events occurred or by the business year in which the insurance is underwritten (limited to the type of insurance contract with long average payment term);
- (iv) the following matters related to the business operation of the insurance company:
- (a) framework for risk management;
  - (b) framework for compliance of laws and regulations;
  - (c) rationality and adequacy of the confirmation referred to in Article 121, paragraph (1), item (i) of the Act (limited to the confirmation related to third-sector insurance);
  - (d) for a life insurance company, in accordance with the following categories, the matters prescribed in the following:
    1. in the case where there is a designated dispute resolution organization for life insurance business (meaning the designated dispute resolution organization for life insurance business provided in Article 105-2, paragraph (1), item (i) of the Act; the same applies in (d)), a trade name or name of the designated dispute resolution organization for life insurance business, which is a party to a basic contract for implementation of dispute resolution procedures for the life insurance business to be concluded by the life insurance company as the measure under Article 105-2, paragraph (1), item (i) of the Act;
    2. in the case where there is not a designated dispute resolution organization for life insurance business, the content of the complaint processing measures and dispute resolution measures concerning the life insurance business of the life insurance company under Article 105-2, paragraph (1), item (ii) of the Act;
  - (e) for a non-life insurance company, in accordance with the following categories, the matters specified in the following:
    1. in the case where there is a designated dispute resolution organization for non-life insurance business (meaning the designated dispute resolution organization for non-life insurance business provided in Article 105-3, paragraph (1), item (i) of the Act; the same applies in (e)),

- a trade name or name of the designated dispute resolution organization for non-life insurance business, which is a party to a basic contract for implementation of dispute resolution procedures for the non-life insurance business to be concluded by the non-life insurance company as the measure under Article 105-3, paragraph (1), item (i) of the Act;
2. in the case where there is not a designated dispute resolution organization for non-life insurance business, the content of the complaint processing measures and dispute resolution measures related to the non-life insurance business of the non-life insurance company under Article 105-3, paragraph (1), item (ii) of the Act;
- (v) the following matters related to the status of properties of the insurance company for the most recent business years (regarding the matter stated in (c), limited to the case where the insurance proceeds trust business is to be conducted):
- (a) a balance sheet, profit and loss statement, cash flow statement (limited to the case where the consolidated financial statements are not prepared) and a statement of change in shareholders' equity, etc. (in the case of a mutual company, a document on appropriation of surplus and disposition of loss and a statement of change in funds, etc.);
- (b) regarding the claims held by an insurance company (meaning the claims the value of which are to be posted on each of the accounts for corporate bonds (limited to the corporate bonds for which redemption of principal or payment of interests, wholly or partly, are guaranteed by the insurance company which owns the corporate bonds, and issuance of which is implemented through private placement of securities provided in Article 2, paragraph (3) of the Financial Instruments and Exchange Act; the same applies in Article 59-3, paragraph (1), item (iii), (b), Article 210-10-2, paragraph (1), item (iv), (b) and Article 211-82, paragraph (1), item (iv), (b)), loan, outstanding interest, temporary payment and consideration for acceptance of payment as listed in the balance sheet referred to in Appended Form No. 7 or No. 12, and also including the loan of securities for which the notes are to be added in the balance sheet; the same applies in (c)), the amount of the following claims, and the total of the amounts stated in the following 1. through 4.;
1. claims subject to bankruptcy proceeding and reorganization proceedings and any other equivalent type of claims (meaning the claims held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other equivalent type of claims; the same applies

- below);
2. claims with risks (meaning the claims whose debtor is not yet in the status of failure in business although the debtor's financial status and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible (excluding the claims stated in 1.); the same applies below);
  3. three-month delinquent claim (meaning the loan (excluding the loans stated in 1. and 2.) for which the payment of the principal and interest is delinquent for three month or more from the day immediately after the contracted due date; the same applies below);
  4. claims with relaxed terms (meaning the loan (excluding the loans stated in 1. through 3.) for which an arrangement favorable for the debtor has been made, such as reduction or exemption of interests, granting of grace period for payment of interest, granting of grace period for payment of principal, waiver of claims, etc., for the purpose of the reconstruction of, or support to, the management of the debtor);
  5. ordinary claims (meaning the loan categorized as the claim other than those stated in 1. through 4., whose debtors are not found to be problematic in terms of the financial status and business performance; the same applies below);
- (c) the amount of claims relating to the trust with an option for compensation of principal (including a trust re-entrusted for the purpose of investment of the trust properties), which falls under the claims subject to bankruptcy proceeding and reorganization proceedings and any other equivalent type of claims or claims with risks, three-month delinquent claims and claims with relaxed terms; and the total of these amounts, and the amount of ordinary claims;
- (d) the level of solvency in terms of ability to pay out insurance proceeds, etc. (limited to those specified by using the amount stated in the items of Article 130 of the Act; including the amounts stated in the Appended Form as the details on the amount stated in those items; and also including the calculation formula of the amount provided in Article 87, item (ii)-2 and the coefficient serving the basis of that calculation) and the level of solvency in terms of ability to pay out insurance proceeds, etc. as prescribed in paragraph (1), item (iii), (c) of the following Article (limited to the case where the amount stated in the items of Article 130 of the Act on the insurance company and its subsidiary company, etc. exists and the explanatory documents provided in Article 111, paragraph (2) of the Act has not been prepared);
- (e) the acquisition value, contracted value, market value and loss or gain on

valuation, in relation to the following:

1. securities;
  2. monetary trust;
  3. transactions of derivatives (excluding the transactions which fall under the transactions of securities-related derivatives);
  4. financial derivatives transactions provided in Article 98, paragraph (1), item (viii) of the Act;
  5. foreign exchange futures transactions;
  6. transactions of securities-related derivatives (excluding the transaction stated in 7.);
  7. the transaction stated in Article 28, paragraph (8), item (iii), (a) and item (iv), (a) of the Financial Instruments and Exchange Act; or a transaction on a foreign financial instruments exchange which is similar to the transaction stated in item (iii), (a) of the same paragraph (limited to the government bond securities, etc. and securities specified in Article 2, paragraph (1), item (xvii) of that Act, which has the nature referred to in item (i) of the same paragraph);
- (f) the balance of loan-loss reserve as of the end of the business year, and the amount of increase and decrease during the business year;
- (g) the amount of loan depreciation;
- (h) if the documents to be made available for public inspection pursuant to the provisions of Article 111, paragraph (1) of the Act have been audited by the financial auditor under the Companies Act (or under the Insurance Business Act, in the case of a mutual company), the relevant fact;
- (i) if, in connection with the balance sheet, profit and loss statement and statement of change in shareholders' equity (in the case of a mutual company, a statement of appropriation of surplus or a statement of disposition of loss, and a statement of change in funds, etc.), an audit certificate of the certified public accountant or an audit firm has been issued pursuant to the provisions of Article 193-2 of the Financial Instruments and Exchange Act, the relevant fact;
- (vi) if, as of the last day of the business year, there exists any event which give rise to any material doubt as to the precondition that the insurance company will continue its business activities in the future or any other event which may give material impact on business management of the insurance company (referred to below as "material event, etc." in this item and paragraph (1), item (iv) of the following Article), the relevant fact and its details, analysis of that material event, etc., and the details of the measures to be taken in order to eliminate or improve that material event, etc.
- (2) The places to be specified by Cabinet Office Order, as provided in Article 111, paragraph (1) of the Act, are the business office or other office (excluding the

head office or principal office, branch office or secondary office, and the business offices or offices located in foreign states) of the insurance company.

Article 59-3 (1) The company to be specified by Cabinet Office Order, as provided in Article 111, paragraph (2) of the Act, is as follows:

- (i) the following matters related to the overview of the insurance company and its subsidiary company, etc. (excluding the subsidiary company, etc. which would not give material impact on the details of the explanatory documents provided in Article 111, paragraph (2) of the Act; the same applies below in this Article):
  - (a) the details of the principal business of the insurance company and its subsidiary company, etc., and their organizational framework;
  - (b) the following matters related to subsidiary company, etc. of the insurance company:
    - 1. the name;
    - 2. the location of the principal business office of other principal office;
    - 3. the amount of stated capital or funds;
    - 4. the business details;
    - 5. the date of incorporation;
    - 6. the ratio of the voting rights in the subsidiary company, etc. held by the insurance company to the voting rights of all shareholders or equity holders;
    - 7. the ratio of the voting rights in a single subsidiary company, etc. of the insurance company held by the other subsidiary company, etc. to the voting rights of all shareholders or equity holders;
- (ii) the following matters related to principal business of the insurance company and its subsidiary company, etc.:
  - (a) outline of the business for the most recent business year;
  - (b) the following matters, which are the indicators of the status of principal business for the latest five consolidated financial years (meaning the period related to the preparation of consolidated financial statements; the same applies below):
    - 1. ordinary profit or any equivalent items;
    - 2. ordinary profit or ordinary loss, or any equivalent items;
    - 3. net profit belonging to the shareholders of the parent company for the period or net loss belonging to the shareholders of the parent company for the period (or net surplus belonging to the parent company for the period or net loss belonging to the parent company for the period, if the insurance company is a mutual company);
    - 4. comprehensive income;
    - 5. amount of net assets (limited to the case where the insurance company

- is a non-insurance company which is a stock company);
- 6. total amount of assets;
- 7. ratio indicating the level of solvency in terms of ability to pay out insurance proceeds, etc.;
- (iii) the following matters related to the status of properties of insurance company and its subsidiary company, etc. for the latest two consolidated financial years:
  - (a) a consolidated balance sheet, consolidated profit and loss statement, consolidated cash flow statement and a consolidated statement of change in shareholders' equity, etc. (including the relevant notes; the same applies below) (if the insurance company is a mutual company, a consolidated statement of change in members' equity) (including the matters similar to these);
  - (b) regarding the claims held by an insurance company and its subsidiary company, etc. (meaning the claims the value of which are to be posted on each of the accounts for corporate bonds, loan, outstanding interest, temporary payment and consideration for acceptance of payment as listed in the consolidated balance sheet referred to in Appended Form No. 7-3, and also including the loan of securities), the amount of the following claims, and the total of the amounts stated in the following 1. through 4.:
    - 1. claims subject to bankruptcy proceeding and reorganization proceedings and any other equivalent type of claims;
    - 2. claims with risks;
    - 3. three-month delinquent claims;
    - 4. claims with relaxed terms;
    - 5. ordinary claims;
  - (c) the level of solvency in terms of ability to pay out insurance proceeds, etc. (limited to those specified by using the amount stated in the items of Article 130 of the Act; including the amounts stated in the Appended Form as the details on the amount stated in those items) and the level of solvency in terms of ability to pay out insurance proceeds, etc. by an insurance company, etc. which is the subsidiary company, etc. of the insurance company (including the amount stated in the items of the same Article (including as applied mutatis mutandis pursuant to Article 272-28 of the Act));
  - (d) segment information prescribed in Article 15-2, paragraph (1) of the Regulations on Consolidated Financial Statement or any equivalent information;
  - (e) if, in connection with the balance sheet, profit and loss statement and statement of change in shareholders' equity (in the case of a mutual company, a statement of appropriation of surplus of a statement of

disposition of loss, and a statement of change in funds, etc.) (including the matters similar to these), the insurance company has obtained an audit certificate of the certified public accountant or an audit firm pursuant to the provisions of Article 193-2 of the Financial Instruments and Exchange Act, the relevant fact;

(iv) if, as of the last day of the business year, there exists any material event, etc., the relevant fact and its details, analysis of that material event, etc., and the details of the measures to be taken in order to eliminate or improve that material event, etc.;

(v) in the case of a corporation, etc. subject to special business accounting standards, etc., the business accounting standards adopted by it.

(2) The places to be specified by Cabinet Office Order, as provided in Article 111, paragraph (2) of the Act, are the places provided in paragraph (2) of the preceding Article.

Article 59-4 (1) The explanatory documents prepared pursuant to the provisions of Article 111, paragraphs (1) and (2) of the Act must be made available for public inspection within four months from the end of the business year of the insurance company, and must be maintained accessible for the period before the commencement of public inspection of each of the explanatory documents for the business year immediately before the relevant business year.

(2) If, due to any compelling reasons, an insurance company is unable to make available for public inspection the explanatory documents by the period provided in the preceding paragraph, it may, with an approval from the Commissioner of the Financial Services Agency in advance, postpone the commencement of the public inspection.

(3) If an insurance company seeks to obtain the approval under the preceding paragraph, it must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching a written statement of reasons.

(4) If the application for approval under the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether the insurance company which has filed the application has any compelling reason for postponing the commencement of the public inspection under paragraph (1).

Article 59-5 The places to be specified by Cabinet Office Order, as provided in Article 111, paragraph (4) of the Act, are the places provided in Article 59-2, paragraph (2).

Article 59-6 An insurance company must, for each quarter, make an effort to disclose the matters which would serve as reference information for

policyholders provided in Article 111, paragraph (6) and any other customers so that they may acquire knowledge on the status of business and properties of the insurance company and its subsidiary company, etc. which are especially important (including the matters to be separately designated by the Commissioner of the Financial Services Agency)

(Application for Authorization of Recording of Gain on Assessment of Shares with Market Price)

Article 60 (1) If an insurance company seeks to obtain an authorization under Article 112, paragraph (1) of the Act, it must submit to the Commissioner of the Financial Services Agency the written application for authorization, attaching the following documents:

- (i) the issues, quantities, acquisition value, market price and assessment value of the shares to be revaluated;
  - (ii) the document specifying the amount of profit to be recorded upon the revaluation;
  - (iii) a document specifying the reserves provided in the following Article, for which the profit recorded upon the revaluation is to be reserved, as well as the amount to be reserved; and
  - (iv) a document containing any other matters which would serve as reference information.
- (2) When the application for authorization under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether the reserve by the insurance company which has filed an application for the authorization (referred to below as the "applicant insurance company" in this paragraph) of the amount specified in the items of the following Article based upon the profits recorded by revaluation of shares with market price would facilitate assurance and improvement of profit of policyholders, etc.

(Reserve of Gain on Valuation of Shares with Market Price)

Article 61 The reserves to be specified by Cabinet Office Order, as provided in Article 112, paragraph (2) of the Act, are as follows:

- (i) in the case of a life insurance stock company (meaning a stock company which is an insurance company with a life insurance license under Article 3, paragraph (4) of the Act; the same applies in Article 64, paragraph (1)), the policy reserve, or policy dividend reserve as referred to in Article 64, paragraph (1);
- (ii) in the case of a non-life insurance stock company (meaning a stock company which is a non-life insurance company with a non-life insurance license under Article 3, paragraph (5) of the Act; the same applies in Article 63), the policy reserve; and

- (iii) in the case of a mutual company, the policy reserve, or the members' dividend reserve under Article 30-5, paragraph (1), item (i).

(Depreciation of Incorporation Expenses)

Article 61-2 The amount to be specified by Cabinet Office Order, as provided in Article 113 of the Act, is as follows:

- (i) the amount disbursed as the remuneration and other special benefit under Article 28, item (iii) (Information Specified or Recorded in the Articles of Incorporation) of the Companies Act or incorporation expenses as referred to in item (iv) of the same Article (including the authentication fee for articles of incorporation and the expenses stated in the items of Article 5 of the Regulations for Enforcement of the Companies Act) (in the case of a mutual company, including the remuneration and other special benefit under Article 24, paragraph (1), item (ii) of the Act and incorporation expenses stated in item (iii) of the same paragraph (including the authentication fee for articles of incorporation and the expenses stated in the items of Article 20)); and
- (ii) the amount disbursed for preparation of starting business.

(Method of Calculation of Policy Dividends)

Article 62 When a stock company which is an insurance company distributes policy dividends, it must calculate the amount to be distributed as policy dividends in accordance with the types categories by the distinctive natures of the insurance contracts, and must implement the distribution by one or more of the methods stated in the following items:

- (i) method to distribute the amount based on the proceeds of investment of insurance premiums paid by the policyholders or money received as insurance premiums, less the amount of insurance proceeds, refund or any other benefit, expenditure of operating expenses and any other costs;
- (ii) method to recognize the amount to be distributed as policy dividends based on the insurance period, etc. and to distribute the amount calculated in accordance with the policy reserve, insurance premiums or any other base amount which relates to each insurance contract;
- (iii) method to recognize the amount to be distributed as policy dividends based on the insurance period, etc. and to distribute the amount calculated in accordance with the policy reserve, insurance premiums or any other base amount which relates to each insurance contract; or
- (iv) any other method equivalent to the methods stated in the preceding three items.

(Establishment of Accumulation Account)

Article 63 The provisions of Article 30-3 apply mutatis mutandis to a stock

company which is an insurance company. In this case, the term "distribute the surplus" in paragraph (1) of the same Article is deemed to be replaced with "distribute the policy dividends".

(Policy Dividend Reserve)

Article 64 (1) The reserve to be set aside by the stock company which is an insurance company for the purpose of allocation to the policy dividend is the policy dividend reserve.

(2) A life insurance stock company may not transfer to the policy dividend reserve under the preceding paragraph the amount in excess of the total of the following amount:

- (i) the amount of reserved dividend (meaning the dividend distributed to policyholders, which are reserved with interests);
- (ii) the amount of unpaid dividend (meaning the unpaid dividends distributed to policyholders, which exclude the reserved dividend as provided in the preceding item) (in the case of the accounting period, including the amounts scheduled to be distributed in the following period);
- (iii) the amount of dividend payable on expiry (meaning the dividend payable at the time of expiry of the insurance contract, calculated based on the presumption that all insurance contracts have expired); and
- (iv) any other amount calculated in accordance with the formula designated in the document stated in Article 4, paragraph (2), item (iv) of the Act as the amount equivalent to those stated in the preceding three items.

(Assets Covered by Price Fluctuation Reserve)

Article 65 The assets to be specified by Cabinet Office Order, as provided in Article 115, paragraph (1) of the Act, are as follows; provided, however, that the assets belonging to the special account, assets related to the business stated in Article 99, paragraph (1) of the Act and properties belonging to the special transaction account are not to be included:

- (i) shares issued by a domestic corporation, and any other assets to be specified by the Commissioner of the Financial Services Agency;
- (ii) shares issued by a foreign corporation, and any other assets to be specified by the Commissioner of the Financial Services Agency;
- (iii) yen-denominated bond certificates and any other assets to be specified by the Commissioner of the Financial Services Agency (provided, however, that the assets provided in Article 8, paragraph (21) of the Regulations on Financial Statements may be excluded);
- (iv) assets which may give rise to losses from the fluctuation in the quotes in foreign exchange, such as bond certificates, deposit and loans denominated in foreign currencies; and

(v) gold bullion.

(Calculation of Price Fluctuation Reserve)

Article 66 An insurance company must reserve the amount not less than the total of the amount obtained, after itemizing the assets held as of the account closing period by the assets respectively listed in the left column of the following table, by multiplying the book value of each asset by the ratio listed in the column of the reserve threshold as specified in the same table as the price fluctuation reserve specified in Article 115, paragraph (1) of the Act. In this case, the maximum amount of the price fluctuation reserve is the total of the amount obtained, after itemizing the assets held as of the time of account closing period by the assets respectively listed in the left column of that table, by multiplying the book value of each asset by the ratio listed in the column of the maximum limit of reserve as specified in the same table.

Covered Assets	Reserve Threshold	Maximum Limit of Reserve
Assets stated in Article 65, item (i)	0.0015	0.1
Assets stated in Article 65, item (ii)	0.0015	0.075
Assets stated in Article 65, item (iii)	0.0002	0.01
Assets stated in Article 65, item (iv)	0.001	0.05
Assets stated in Article 65, item (v)	0.003	0.125

(Application for Authorization of Exemption from Reserving Price Fluctuation Reserve)

Article 67 (1) If an insurance company seeks to obtain an authorization under the proviso to Article 115, paragraph (1) or the proviso to paragraph (2) of the same Article, it must submit to the Commissioner of the Financial Services Agency a written application for authorization, attaching financial statements (meaning the financial documents as provided in Article 435, paragraph (2) (Preparation and Retention of Financial Statements) of the Companies Act applied pursuant to Article 13 of the Act following the deemed replacement of terms or those provided in Article 54-3, paragraph (2) of the Act; the same applies in Article 82 and Article 85) or equivalent documents.

(2) If the application under the preceding paragraph is filed, the Commissioner of the Financial Services Agency is to examine whether there exist any inevitable grounds, in light of status of business or properties of the insurance company which has filed the application for authorization.

(Contracts Covered by Regular Policy Reserve)

Article 68 (1) The insurance contract to be specified by Cabinet Office Order, as provided in Article 116, paragraph (2) of the Act, is one of the insurance contracts concluded by a life insurance company on or after the enforcement of the Act, which does not fall under any of the contracts specified in the following items:

- (i) insurance contract wherein the policy reserve fluctuates depending on the value of the properties belonging to the special account;
- (ii) insurance contracts under which the insurance premiums reserve under item (i), paragraph (1) of the following Article are not be set aside;
- (iii) insurance contract which provides that the insurance company may amend the coefficients serving the basis of calculation of the policy reserve and insurance premiums in accordance with the policy conditions;
- (iv) any other contracts to be designated by the Commissioner of the Financial Services Agency as the insurance contract not suitable for adding necessary provisions as to the criteria for the coefficients serving the basis of calculation of the policy reserve as provided in Article 116, paragraph (2) of the Act.

(2) Notwithstanding the preceding paragraph, among the insurance contracts concluded by an insurance company on or after the day to be specified by the Commissioner of the Financial Services Agency (or insurance contracts whose insurance period starts on or after the day to be specified by Cabinet Office Order, if the insurance company is a non-life insurance company; the same applies in the following paragraph), the insurance contracts to be specified by Cabinet Office Order, as provided in Article 116, paragraph (2) of the Act, is not to fall under any of the following items:

- (i) insurance contract wherein the policy reserve fluctuates depending on the value of the properties belonging to the special account;
- (ii) insurance contracts under which the insurance premium reserve under item (i), paragraph (1) of the following Article, or refund reserve under Article 70, paragraph (1), item (iii) are not be set aside; or insurance contracts under which the insurance premium reserve under item (i), (a) of the same paragraph are not to be calculated;
- (iii) insurance contract which provides that the insurance company may amend the coefficients serving the basis of calculation of the policy reserve and insurance premiums in accordance with the policy conditions (excluding the insurance contracts under which the policy conditions guarantees the minimum interest rate exceeding the scheduled interest rate serving the basis of calculation of the policy reserve at the time of conclusion of the insurance, as determined by the Commissioner of the Financial Services

- Agency pursuant to the provisions of Article 116, paragraph (2) of the Act);  
and
- (iv) any other contracts to be designated by the Commissioner of the Financial Services Agency as the insurance contract not suitable for adding necessary provisions as to the criteria for the coefficients serving the basis of calculation of the policy reserve as provided in Article 116, paragraph (2) of the Act.
- (3) Notwithstanding the preceding two paragraphs, among the insurance contracts concluded by an insurance company on or after the day to be specified by the Commissioner of the Financial Services Agency, the insurance contracts to be specified by Cabinet Office Order, as provided in Article 116, paragraph (2) of the Act, is not to fall under any of the following items:
- (i) insurance contract wherein the policy reserve fluctuates depending on the value of the properties belonging to the special account, and which does not provide for minimum guarantee of the amount of insurance proceeds, etc.;
- (ii) insurance contracts under which the insurance premium reserve under item (i), paragraph (1) of the following Article, or refund reserve under Article 70, paragraph (1), item (iii) are not to be set aside; or insurance contracts under which the insurance premium reserve under item (i), (a) of the same paragraph are not to be calculated;
- (iii) insurance contract which provides that the insurance company may amend the coefficients serving the basis of calculation of the policy reserve and insurance premiums in accordance with the policy conditions (excluding the insurance contracts under which the policy conditions guarantees the minimum interest rate exceeding the scheduled interest rate serving the basis of calculation of the policy reserve at the time of conclusion of the insurance, as determined by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 116, paragraph (2) of the Act);  
and
- (iv) any other contracts to be designated by the Commissioner of the Financial Services Agency as the insurance contract not suitable for adding necessary provisions as to the criteria for the coefficients serving the basis of calculation of the policy reserve as provided in Article 116, paragraph (2) of the Act.

(Policy Reserve of Life Insurance Company)

Article 69 (1) A life insurance company must, for each accounting period and for each of the categories respectively stated in the following items, calculate and set aside as the policy reserve the amounts respectively stated in those items, based on the insurance premiums received before the relevant accounting period and in accordance with the formula specified in the documents stated in

Article 4, paragraph (2), item (iv) of the Act:

- (i) insurance premium reserve: amount calculated in accordance with actuarial methodology, with an objective of preparation for performance of future obligations under insurance contracts (excluding the amount to be set aside as the refund reserve as referred to in item (ii)-2);
  - (ii) outstanding insurance premiums: the amount calculated as the amount equivalent to the liability corresponding to the unexpired period (meaning the insurance period specified under an insurance contract which have not passed as of the time of the account closing period; the same applies in the following Article and Article 211-46) (excluding the amount to be set aside as the refund reserve as referred to in the following item);
  - (ii)-2 refund reserve: the amount to be appropriated to the refund, when the insurance contract provides that all or part of the amount of proceeds from investment of insurance premiums or money received as insurance premiums will be refunded; and
  - (iii) contingency reserve: the amount calculated for covering risks which may accrue in the future, so as to secure performance of the future obligations under the insurance contracts.
- (2) Regarding the insurance contracts in effect at the time of the account closing period for which the insurance premiums were not paid before the account closing period, and for which the payment of insurance premiums cannot be expected between the account closing period and the day when the insurance contracts ceases to be effective, the amount calculated as the amount necessary for payment of the death insurance proceeds, etc. (meaning the insurance proceeds payable upon the death or the occurrence of any of the events stated in Article 3, paragraph (4), item (ii), (a) through (e) of the Act) for the period between the account closing period and the day when the insurance contracts ceases to be effective is to be set aside as the outstanding insurance premiums under item (ii) of the preceding paragraph.
- (3) Insurance premiums not paid until the account closing period may not be recorded in the asset section of the balance sheet.
- (4) insurance premium reserve under paragraph (1), item (i) (simply referred to below as "insurance premium reserve" in this paragraph and the following paragraph) and refund reserve under paragraph (1), item (ii)-2 (simply referred to below as "refund reserve" in this paragraph and the following paragraph) is to be set aside in accordance with the provisions of the following items:
- (i) insurance premiums reserve and refund reserve related to the insurance contracts provided in the preceding Article may not be less than the amount calculated in accordance with the formula specified by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 116, paragraph (2) of the Act;

- (ii) insurance premiums reserve and refund reserve related to any other insurance contract than as provided in the preceding Article (excluding insurance contracts for which a special account has been established) may not be less than the amount calculated in accordance with the level premium system (meaning the method whereby the fund in preparation for performance of future obligations under insurance contracts are set aside by the level method for the entire insurance premiums payment period; the same applies in the following Article, Article 150 and Article 151);
  - (iii) regarding insurance premiums reserve and refund reserve, which relates to any other insurance contracts than as provided in the preceding Article, and for which a special account has been established, the outstanding balance of the income and expenditure in the special account must be reserved;
  - (iv) if, in light of the status of business or properties of a life insurance company or distinctiveness of insurance contracts and other factors, there exists any special circumstance, the provisions of item (i) do not apply to the insurance contract provided in the preceding Article (excluding the insurance contract for which a special account has been established and wherein the minimum amount of insurance proceeds, etc. is guaranteed); and the provisions of item (ii) do not apply to the other insurance contract than as provided in the same Article (excluding the insurance contract for which a special account has been established); provided, however, that even in this case, the amount of the insurance premium reserve and refund reserve must be reasonable and fair from the standpoint of actuarial methodology.
- (5) If the policy reserve set aside pursuant to the provisions of paragraphs (1), (2) and (4) is found to likely to be insufficient to cover the performance of the future obligations, additional insurance premiums reserve and refund reserve must be set aside, by way of amendment to the documents stated in Article 4, paragraph (2), item (iv) of the Act.
- (6) contingency reserve under paragraph (1), item (iii) must be set aside in accordance with the following categories:
- (i) contingency reserve for covering the insurance risk as stated in Article 87, item (i);
  - (i)-2 contingency reserve for covering the insurance risk of third-sector insurance as specified in Article 87, item (i)-2;
  - (ii) contingency reserve for covering the insurance risk as stated in Article 87, item (ii); and
  - (iii) contingency reserve for covering the minimum guarantee risk as stated in Article 87, item (ii)-2.
- (7) contingency reserve under paragraph (1), item (iii) is to be set aside in accordance with the standards for reserving and reversal; provided, however,

that if, in light of the status of business or properties of the life insurance company, there are any inevitable grounds, reserving not in accordance with the standard of reserve to be specified by the Commissioner of the Financial Services Agency and reversal not in accordance with the standard of reversal to be specified by the Commissioner of the Financial Services Agency.

(Policy Reserve of Non-Life Insurance Company)

Article 70 (1) A non-life insurance company must, for each accounting period and for each of the categories respectively stated in the following items, calculate and set aside as the policy reserve the amounts respectively stated in those items; provided, however, that this does not apply to the setting aside of policy reserve under the contract for automobile damage liability insurance as provided in Article 5 (Compulsory Conclusion of Contract for Liability Insurance or Liability Mutual Aid Insurance) of the Automobile Liability Security Act and the earthquake insurance contract as provided in Article 2, paragraph (2) (Definitions) of the Act on Earthquake Insurance (referred to as "policy reserve for automobile damage liability insurance, etc." in paragraph (4)):

- (i) regular policy reserve: the total of the following amounts in accordance with the categories respectively stated in the following provisions; provided, however, that the amount must not be less than the amount of insurance premiums received in the business year (excluding the amount to be allocated to refund reserve under item (iii); the same applies below in this paragraph), less the sum of the insurance proceeds, refund, payment reserve (meaning the payment reserve under Article 117, paragraph (1) of the Act; the same applies below in this Chapter) (excluding the insurance proceeds, etc. for which the occurrence of the insured event provided in Article 72 has not been reported but the insured event provided in the insurance contracts is found to have occurred) disbursed in relation to the insurance contract under which the insurance premiums were received in the relevant business year and the operating expenses incurred in the relevant business year:
  - (a) insurance premium reserve: amount calculated in accordance with actuarial methodology, with an objective of preparation for performance of future obligations under insurance contracts (excluding the amount to be set aside as the refund reserve as referred to in item (iii));
  - (b) outstanding insurance premiums: the amount calculated as the amount equivalent to the liability corresponding to the unexpired period, on the basis of the insurance premiums received (for the type of contract for which it is deemed reasonable to use the amount other than the insurance premiums received and which are to be specified by the Commissioner of the Financial Services Agency, the amount calculated in accordance with

- the formula to be separately designated by the Commissioner of the Financial Services Agency);
- (ii) extraordinary contingency reserve: the amount calculated based on the insurance premiums received, in preparation of the compensation of losses arising from extraordinary natural disaster (for the type of contract for which it is deemed reasonable to use the amount other than the insurance premiums received and which are to be specified by the Commissioner of the Financial Services Agency, the amount calculated in accordance with the formula to be separately designated by the Commissioner of the Financial Services Agency);
  - (ii)-2 contingency reserve: the amount calculated for covering risks which may accrue in the future, so as to secure performance of the future obligations under the insurance contracts;
  - (iii) refund reserve: the amount to be appropriated to the refund, when the insurance contract provides that all or part of the amount of proceeds from investment of insurance premiums or money received as insurance premiums will be refunded; and
  - (iv) policy dividend reserve, etc.: the amount of the policy dividend reserve under Article 64, paragraph (1) and any other amount equivalent thereto.
- (2) Regular policy reserve under item (i) of the preceding paragraph (limited to the amount related to the insurance premiums reserve under (a) of that item (simply referred to below as "insurance premiums reserve" in this paragraph); simply referred to as "regular policy reserve" in the following paragraph) and refund reserve under item (iii) of the preceding paragraph (simply referred to below as "refund reserve" in this paragraph and the following paragraph) are to be set aside in accordance with the provisions of the following items:
- (i) insurance premiums reserve and refund reserve related to an insurance contract provided in Article 68, paragraphs (2) or (3), may not be less than the amount calculated in accordance with the formula specified by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 116, paragraph (2) of the Act;
  - (ii) insurance premiums reserve related to any other insurance than as provided in Article 68, paragraphs (2) and (3) (excluding the insurance contract related to the insurance stated in Article 3, paragraph (5), item (i) of the Act (if the terms and conditions of the insurance contracts consist of combination of the insurance stated in that item and any other insurance, the insurance contract related to the portion of the insurance stated in that item) and also excluding insurance contracts for which a special account has been established; the same applies in item (iv)) may not be less than the amount calculated in accordance with the level premium system;
  - (iii) regarding refund reserve, which relates to any other insurance other as

- provided in Article 68, paragraphs (2) and (3), and for which a special account has been established, the outstanding balance of the income and expenditure in the special account must be reserved;
- (iv) if, in light of the status of business or properties of a non-life insurance company or distinctiveness of insurance contracts and other factors, there exists any special circumstance, the provisions of item (i) do not apply to the insurance contract provided in Article 68, paragraphs (2) and (3) (excluding the insurance contract for which a special account has been established and wherein the minimum amount of insurance proceeds, etc. is guaranteed); and the provisions of item (ii) do not apply to the other insurance contract than as provided in paragraphs (2) and (3) of the same Article; provided, however, that even in this case, the amount of the insurance premium reserve and refund reserve must be reasonable and fair from the standpoint of actuarial methodology.
- (3) If the policy reserve set aside pursuant to the provisions of the preceding two paragraphs is found to likely to be insufficient to cover the performance of the future obligations, additional regular policy reserve and refund reserve must be set aside, by way of amendment to the documents stated in Article 4, paragraph (2), item (iv) of the Act.
- (4) A non-life insurance company is to calculate the amount stated in the items of paragraph (1) (excluding the contingency reserve under item (ii)-2 of the same paragraph) in accordance with the method specified in the documents stated in Article 4, paragraph (2), item (iv) of the Act and also in accordance with the formula to be specified by the Commissioner of the Financial Services Agency; and is to calculate the amount of the policy reserve for automobile damage liability insurance, etc. in accordance with the method specified in the documents stated in Article 4, paragraph (2), item (iv) of the Act.
- (5) contingency reserve under paragraph (1), item (ii)-2 must be set aside in accordance with the following categories:
- (i) contingency reserve for covering the insurance risk of third-sector insurance as stated in Article 87, item (i)-2; and
  - (ii) contingency reserve for covering the insurance risk as stated in Article 87, item (ii).
- (6) contingency reserve under item (ii)-2, paragraph (1) is to be set aside in accordance with the method specified in the documents stated in Article 4, paragraph (2), item (iv) of the Act and also in accordance with the standards for reserve and reversal to be specified by the Commissioner of the Financial Services Agency; provided, however, that if, in light of the status of business or properties of the non-life insurance company, there are any inevitable grounds, reserving not in accordance with the standard of reserve to be specified by the Commissioner of the Financial Services Agency and reversal not in accordance

with the standard of reversal to be specified by the Commissioner of the Financial Services Agency.

(Policy Reserve for Reinsurance Contracts)

Article 71 (1) When the insurance contract is reinsured, an insurance company may elect not to set aside the policy reserve corresponding to the portion of the reinsurance related to the following parties:

- (i) an insurance company;
  - (ii) a foreign insurance company, etc.;
  - (iii) an underwriting member provided in Article 219, paragraph (1) of the Act for whom the notification under Article 224, paragraph (1) of the Act has been filed;
  - (iv) a foreign insurer other than stated in the preceding two items which, in light of its status of business or properties, is not likely to prejudice soundness of the business management of the insurance company which is the reinsurer; and
  - (v) the Incorporated Administrative Agency Nippon Export and Investment Insurance.
- (2) When an insurance company places reinsurance to cover insurance contracts as specified by the Commissioner of the Financial Services Agency, and if it receives fees accrued from the insurance contract related to the reinsured portion, calculated based on the profit estimated to be accrued after the conclusion of the reinsurance, it must set aside the received amount as the policy reserve.
- (3) When an insurance company places reinsurance to cover insurance contracts other than as specified by Cabinet Office Order pursuant to the provisions of the preceding paragraph, and if it receives the fees provided in the preceding paragraph accrued from the reinsurance, it must record the received amount as the deposit.

(Insurance Proceeds Equivalent to Amount Due and Payable)

Article 72 The case to be specified by Cabinet Office Order, as provided in Article 117, paragraph (1) of the Act, is to be the insurance proceeds, etc. for which the occurrence of the insured event has not been reported but the insurance company finds that insured event provided in the insurance contracts has occurred.

(Reserve for Outstanding Claims)

Article 73 (1) An insurance company must, for each account closing period, set aside the following amounts as the reserve for outstanding claims:

- (i) if the insurance company has not yet recorded as the expenses any

- insurance proceeds, etc. due and payable under the insurance contract for each account closing period, the amount required for the payment; and
- (ii) regarding the insurance proceeds, etc., provided in the preceding Article, for which the occurrence of the insured event has not been reported but the insurance company finds that insured event provided in the insurance contracts has occurred, the amount necessary for the payment as specified by the Commissioner of the Financial Services Agency.
- (2) Notwithstanding the preceding paragraph, if, in light of the status of business or properties of the insurance company, there are any inevitable grounds, regarding the insurance proceeds, etc. provided in item (ii) of the same paragraph, the amount calculated in accordance with the methods provided in the documents stated in Article 4, paragraph (2), item (iv) of the Act may be set aside as the reserve for outstanding claims, within a certain period.
- (3) The provisions of Article 71, paragraph (1) apply mutatis mutandis to setting aside of reserve for outstanding claims.

(Insurance Contracts Which Require Special Account)

Article 74 The insurance contract to be specified by Cabinet Office Order, as provided in Article 118, paragraph (1) of the Act, is as follows:

- (i) performance-linked insurance contracts as provided in Article 100-5, paragraph (1) of the Act (meaning the following insurance contracts; the same applies in Article 75-2, paragraphs (1) and (3)):
- (a) an insurance contract wherein the insurance company undertakes the policyholder to pay all or part of the insurance proceeds, etc. based on the outcome of investment of money received as the insurance premiums, and wherein the amount solely based on the outcome of the investment are paid as all or part of the insurance proceeds, etc. (excluding the contract stated in (b));
- (b) an insurance contract wherein the insurance company undertakes the policyholder to pay all or part of the insurance proceeds, etc. based on the outcome of investment of money received as the insurance premiums, under which policyholder or the insured is to pay the insurance premiums equivalent to the shortfall when the policy reserve (excluding the contingency reserve under Article 69, paragraph (1), item (iii); the same applies in the following item) falls short of the amount necessary for the payment of the insurance proceeds, etc. at the time of payment, and for which the shortfall amount is not to be borne by the insurance company;
- (ii) an insurance contract wherein the insurance company undertakes the policyholder to pay the insurance proceeds, etc. taking into consideration the profit and loss accrued from investment of money received as the insurance premiums, under which policyholder or the insured is to pay the insurance

premiums equivalent to the shortfall when the policy reserve falls short of the amount necessary for the payment of the insurance proceeds, etc. at the time of payment (excluding the insurance contract stated in (b) of the preceding item); and

- (iii) an insurance contract wherein the insurance company undertakes the policyholder to pay the insurance proceeds, etc. taking into consideration the profit and loss accrued from investment of money received as the insurance premiums, but excluding the contracts stated in item (i), (a) and (b) and in the preceding item.

(Exception to Transfer among Accounts)

Article 75 The cases to be specified by Cabinet Office Order, as provided in Article 118, paragraph (2) of the Act, are the acceptance of insurance premiums, payment of insurance proceeds, refund or any other benefits, loan to policyholders or repayment, borrowing from other account than special account and repayment, or any other transfer of equivalent money, which are specified in the documents stated Article 4, paragraph (2), item (ii) of the Act.

(Method of Management of Properties Belonging to Special Account and Other Matters Necessary in Relation to Special Account)

Article 75-2 (1) An insurance company (when item (i) applies, an insurance company as well as a party entrusted by the insurance company) must manage the properties belonging to the special account for the performance-linked insurance contract (referred to below as the "designated special account" in this Article and Article 154-2), in accordance with the following methods:

- (i) to manage the properties belonging to the designated special account by making a clear distinction from those belonging to the general account (meaning the account other than special accounts; the same applies below) and also from properties belonging to the special account other than the designated special account, by such means as segregating the place of custody; and
  - (ii) to manage the properties belonging to the designated special account in the manner whereby the policyholder related to the designated special account can be identified.
- (2) When an insurance company entrust the third party to manage the properties belonging to the designated special account, it must put in place a sufficient system to ensure that the third party entrusted will manage the properties belonging to the designated special account in accordance with the provisions of item (i) of the preceding paragraph.
- (3) An insurance company must, for the purpose of making clear the business handling and calculation related to the designated special account, prepare the

accounting books stated in items (i) and (ii) in accordance with the Appended Forms, and must keep them for the period specified in the following items in accordance with the categories of the accounting books as respectively stated in those items:

- (i) ledger of designated special account: ten years from the last day of the insurance business year for the performance-linked insurance contract (limited to the portion related to the designated special account; the same applies below in this item) or from the last day of the insurance period for the performance-linked insurance contract;
- (ii) master ledger of designated special account: five years from the preparation; and
- (iii) business entrustment contract for designated special account: five years from the termination of the entrustment contract.

(Non-Life Insurance Company Which Requires Appointment of Actuary)

Article 76 The non-life insurance company which falls under the requirements to be specified by Cabinet Office Order, as provided in Article 120, paragraph (1) of the Act, is all non-life insurance companies, except for non-life insurance companies which only underwrite the insurance contracts stated in the following items:

- (i) contracts for automobile damage liability insurance as provided in Article 5 (Compulsory Conclusion of Contract for Liability Insurance or Liability Mutual Aid Insurance) of the Automobile Liability Security Act; and
- (ii) earthquake insurance contracts as provided in Article 2, paragraph (2) (Definitions) of the Act on Earthquake Insurance.

(Matters Which Require Participation of Actuary)

Article 77 The matters to be specified by Cabinet Office Order, as provided in Article 120, paragraph (1) of the Act, are as follows: the actuarial methodology related to the following, in the case of a life insurance company; or the actuarial methodology for those stated in the following items (i) through (iv), (vi) and (ix) in relation to the insurance contracts other than those stated in the items of the preceding Article, in the case of a non-life insurance company:

- (i) the method of calculation of insurance premiums;
- (ii) the method of calculation of policy reserve;
- (iii) the method of calculation of the policy dividends or surplus to be distributed to members;
- (iv) the method of calculation of policyholder value;
- (v) calculation of uncollected insurance premiums;
- (vi) calculation of the reserve for outstanding claims;
- (vii) planning of insurance solicitation;

- (viii) preparation of rules of salaries, etc. payable to life insurance agents; and
- (ix) any other matters necessary for the actuary in performing the duties.

(Persons Qualified as Actuary)

Article 78 (1) The person who satisfies the requirements to be specified by Cabinet Office Order, as provided in Article 120, paragraph (2) of the Act, is the person who satisfies any of the following requirements, in the case of a life insurance company:

- (i) a regular member of The Institute of Actuaries of Japan, who has engaged in the business related to actuarial methodology of a life insurance company or a foreign life insurance company for five years or longer; or
  - (ii) a regular member of The Institute of Actuaries of Japan, who has engaged in the business related to actuarial methodology for seven years or longer (limited to a person engaged in the actuarial methodology of a life insurance company or a foreign life insurance company for three years; and excluding the person stated in the preceding item).
- (2) The person who satisfies the requirements to be specified by Cabinet Office Order, as provided in Article 120, paragraph (2), is the person who satisfies any of the following requirements, in the case of a non-life insurance company:
- (i) a regular member of The Institute of Actuaries of Japan, who has engaged in the business related to actuarial methodology of a non-life insurance company or a foreign non-life insurance company for five years or longer; or
  - (ii) a regular member of The Institute of Actuaries of Japan, who has engaged in the business related to actuarial methodology for seven years or longer (limited to a person engaged in the actuarial methodology of a non-life insurance company or a foreign non-life insurance company for three years; and excluding the person stated in the preceding item).

(Notification of Appointment and Retirement of Actuary)

Article 79 (1) When an insurance company has appointed an actuary, it must, without delay, submit to the Commissioner of the Financial Services Agency the notification, attaching thereto a résumé of the actuary and a document certifying that the actuary satisfies the requirement provided in the preceding Article.

- (2) When an actuary retired from the position, the insurance company must, without delay, submit to the Commissioner of the Financial Services Agency the notification, attaching thereto a written statement of reasons.
- (3) When an insurance company has two or more actuaries, it must, in addition to the documents provided in the preceding two paragraphs, attach a document specifying the matters which falls within the scope of their respective duties.

(Matters Which Require Verification by Actuary)

Article 79-2 The matters to be specified by Cabinet Office Order, as provided in Article 121, paragraph (1), item (iii) of the Act, are the matters stated in the following item (i), in the case of a life insurance company; or the following matters, in the case of a non-life insurance company:

- (i) the matters stated in (a) and (b) below as the matters concerning the status of property:
  - (a) whether the continuance of the insurance business is difficult, judging from the reasonable estimate of future income and expenditure based on actuarial methodology;
  - (b) whether the level of solvency in terms of ability to pay out insurance proceeds, etc. is appropriate based on actuarial methodology; and
- (ii) whether the reserve for outstanding claims for insurance contracts other than those stated in the items of Article 76 (limited to the amount stated in Article 73, paragraph (1), item (ii)) have been set aside in compliance with the sound actuarial methodology.

(Verification by Actuary)

Article 80 An actuary must, for each account closing period, verify the matters stated in the items of Article 121, paragraph (1) of the Act, in accordance with the following requirements and any other requirements to be specified by the Commissioner of the Financial Services Agency:

- (i) that the policy reserve has been appropriately set aside pursuant to the provisions of Article 69 or Article 70;
- (ii) that the distribution of policy dividends or surplus to members has been properly implemented pursuant to the provisions of Article 30-2 or Article 60;
- (iii) that, judging from the amount of liabilities asset as of the certain time in the future calculated based upon reasonable estimation, the amount of asset as of the certain time in the future calculated based upon reasonable estimation is expected to fall short of the appropriate level in terms of continuance of insurance business;
- (iv) that the level of the solvency in terms of ability to pay out insurance proceeds, etc. is appropriate in the light of the provisions of Article 130 of the Act and Articles 86 and 87; and
- (v) in the case of a non-life insurance company, that the reserve for outstanding claims related to the insurance contracts other than those stated in the items of Article 76 (limited to the amount stated in Article 73, paragraph (1), item (ii)) have been properly set aside pursuant to the provisions of Article 73.

(Contracts to Be Verified in Relation to Policy Reserve)

Article 81 The insurance contracts to be specified by Cabinet Office Order, as provided in Article 121, paragraph (1), item (i) of the Act, are all insurance contracts unwritten by the life insurance company, in the case of a life insurance company; or all insurance contracts except those stated in the items of Article 76, in the case of a non-life insurance company.

(Opinion Letter of Actuary)

Article 82 (1) An actuary must submit the opinion letter containing the following matters to the board of directors meeting at which the financial statements are to be approved:

- (i) the trade name or name of the insurance company, and the name of the actuary;
  - (ii) the submission date;
  - (iii) the matters related to accumulation of policy reserve for the insurance contract specified in the preceding Article;
  - (iv) the matters related to policy dividends or distribution of surplus to members;
  - (v) the matters related to transfer to policy dividend reserve under Article 64, paragraph (1) or to members' dividend reserve under Article 30-5, paragraph (1), item (i);
  - (vi) the matters related to verification under Article 79-2; and
  - (vii) the actuary's opinion as to the matters stated in items (iii) through (vi).
- (2) When an actuary submits a written opinion to the board of directors meeting pursuant to the provisions of Article 121, paragraph (1) of the Act, and when the actuary submits to the Commissioner of the Financial Services Agency a copy of the opinion letter pursuant to the provisions of paragraph (2) of the same Article, the actuary must attach thereto the supplementary report specifying the method of verification of the matters stated in the items of paragraph (1) of the same Article and any other matters which served the basis of the verification.
- (3) Notwithstanding the provisions of paragraph (1), an actuary may notify the company auditor (in the case of a company with audit and supervisory committee, an audit and supervisory committee member designated by the audit and supervisory committee; and in the case of a company with nominating committee, an audit committee member designated by the audit committee) or financial auditor the details of the matters stated in items (iii) through (vii) of the same paragraph.

(Application for Designation)

Article 82-2 (1) A person who seeks to obtain the designation under Article 122-2, paragraph (1) of the Act (referred to below as "designation " in this Article and

the following Article) must submit to the Commissioner of the Financial Services Agency the written application specifying the following matters:

- (i) the name and address, and the representative's name; and
  - (ii) the location of the office.
- (2) The following documents must be attached to the written application stated in the preceding paragraph:
- (i) articles of incorporation, and a certificate of registered matters;
  - (ii) business status report, income and expenditure statement, inventory of property for the business year immediately before the business year in which the date of application falls, or any other document disclosing the recent status of properties and the income and expenditure;
  - (iii) list of officers and their résumés;
  - (iv) a document certifying that decision for application for designation has been made;
  - (v) a document specifying the matters related to organization and business operation; and
  - (vi) beyond the documents stated in the preceding items, a document certifying that the applicant is able to carry out business stated in the items of Article 122-2, paragraph (2) of the Act in an appropriate and accurate manner.
- (3) The Commissioner of the Financial Services Agency may order submission of documents necessary for the designations, beyond the documents provided in the preceding paragraph.

Article 82-3 When the corporation which has obtained the designation intends to effect any amendment to its name, address, representative of location of offices, notify the Commissioner of the Financial Services Agency to that effect in advance.