This Appendix sets out a summary of certain provisions of the Articles of Incorporation of our Company. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

Our Company was incorporated with limited liability in Japan as a stock company (*kabushiki-gaisha* 株式会社) on 20 September 2011. Our Articles of Incorporation comprise our Company's constitution. The liabilities of shareholder(s) of a stock company are generally limited to the extent of their investment in a company. The provisions normally set out in the memorandum and articles of association of a Hong Kong incorporated company are generally speaking either contained in a Japanese company's articles of incorporation or stipulated in the Companies Act.

1. ARTICLES OF INCORPORATION

The Articles of Incorporation of our Company were adopted on 20 September 2011. A revised version of our Articles of Incorporation was adopted by our Shareholders on 20 June 2012 and will take effect on the Listing Date. An English translation of the Articles of Incorporation is available for inspection at the location specified in the section "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this Prospectus. The following is a summary of certain key provisions of our Articles of Incorporation that will take effect upon the Listing.

(a) Purposes

The Articles of Incorporation of our Company set out detailed and extensive, though non-exhaustive, lists of purposes for which our Company was formed. Our Articles of Incorporation also allow our Company to undertake any business activities that are not explicitly stated in the Articles of Incorporation.

(b) Directors

(i) Power to allot and issue Shares

Under our Articles of Incorporation, the number of Shares authorised to be issued by our Company is 2,520,000,000 Shares.

Shares may be issued and allotted to any party by ordinary resolution of the Shareholders, except that, in the circumstances where an issue or allotment of the Shares to a third party is proposed on terms and conditions *especially favourable* to such third party, a special resolution of the Shareholders will be required under the Companies Act. Under our Articles of Incorporation, our Board of Directors may be entrusted with the power to issue and allot Shares by way of a general mandate granted by our Shareholders via an ordinary resolution.

As advised by our Japan Legal Adviser, there is no clear definition under Japanese law of the circumstances where an issue or allotment of our Shares may be deemed as *especially favourable* to a subscriber or allottee. Under the internal rules of the Japan Securities Dealers Association, an issue or allotment of our Shares will be taken as *especially favourable* to an allottee or subscriber when less than 90% of the market value of the Shares so issued or allotted is required from the said subscriber or allottee in consideration for such allotment or issue.

Pursuant to an extraordinary Shareholders' meeting of our Company dated 20 June 2012, a general unconditional mandate (the "General Mandate") was granted to our Board of Directors to allot, issue and deal with Shares representing not more than the sum of (i) 20% of the entire issued share capital of our Company immediately following completion of the Global Offering; and (ii) the aggregate number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares granted to our Board of Directors on the same date. Under Japanese law, the General Mandate is not enforceable when (i) an issue or allotment of Shares to a third party is proposed on terms and conditions *especially favourable* to such third party (in which case a special resolution of the Shareholders is required); or (ii) after an allotment, issue, or dealings in the Shares pursuant to the General Mandate, our entire issued share capital exceeded or would exceed the maximum number of Shares authorised to be issued by our Company (currently 2,520,000,000 Shares under our Articles of Incorporation).

(ii) Power to dispose of the assets of our Company or any subsidiary

There is no specific provision in our Articles of Incorporation relating to the power to dispose of the assets of our Company or any of our subsidiaries.

Under the Companies Act, an Executive Officer may be authorised by our Board of Directors to determine and execute the disposal of our Company's assets. Neither our Directors nor our Board of the Directors of our Company have the power to dispose of any assets of any subsidiary of our Company.

(iii) Compensation or payments to Directors for loss of office

There is no specific provision in our Articles of Incorporation relating to compensation or payments to Directors for loss of office. Under the Companies Act, a Director dismissed by an ordinary resolution of our Shareholders shall be entitled to demand damages arising from the dismissal from our Company, except in cases where there are justifiable grounds for such dismissal.

(iv) Loans and the giving of security for loans to Directors

Under the Companies Act, loans and the giving of securities for loans to directors are not prohibited. There are, however, provisions in our Articles of Incorporation prohibiting the making of loans or provision of security for loans to our Directors unless such loans or security for loans are permitted under the Companies Act and the Companies Ordinance (as if our Company were a public company incorporated in Hong Kong).

(v) Financial assistance to purchase shares of our Company

According to our Articles of Incorporation, our Company may not provide financial assistance to another person for the purpose of, or in connection with, a purchase made or to be made by any person of any Shares in our Company, unless permitted under the Companies Act and the Companies Ordinance (as if our Company were a listed company incorporated in Hong Kong).

(vi) Disclosure of interests in contracts with our Company or any of our subsidiaries

Under our Articles of Incorporation, our Directors are required to refrain from voting on resolutions in respect of transactions in which they or their associates have a material interest unless permitted under the Companies Act and Listing Rules.

Under the Companies Act, if a Director is interested in any contract to be entered into by our Company, disclosure to our Board of Directors of all material information regarding the transaction is required.

(vii) Compensation

Under our Articles of Incorporation, the amount of compensation of our Directors shall be determined by the remuneration committee of our Company.

(viii) Appointment and removal

Our Directors are appointed (for a term of one calendar year) or dismissed on an annual basis at our annual Shareholders' meeting in accordance with our Articles of Incorporation and the Companies Act. Pursuant to our Articles of Incorporation, our Company shall have not more than twelve Directors. The cumulative voting system for the election of Directors is excluded and the term of office of a Director will end at the close of an annual Shareholders' meeting unless such Director is re-elected.

(ix) Proceedings of Directors

In accordance with our Articles of Incorporation, a Director (elected in advance by the Board of Directors) shall convene a meeting of our Board of Directors and shall act as the chairperson of the meeting. Notice of the convocation of a meeting of our Board of Directors shall be sent to each Director at least three days prior to the scheduled date of such meeting; however, such period may be shortened under extenuating circumstances, and the notice period may be waived upon the consent of all Directors.

A resolution of our Board of Directors shall be made by a majority of Directors present at a meeting where the majority of Directors entitled to vote are present. The procedures of our Board of Directors follow the regulations of our Board of Directors, which is a set of internal rules commonly adopted by Japanese companies, in addition to the Companies Act.

(x) Qualification shares

There is no specific provisions in our Articles of Incorporation or the Companies Act relating to qualification shares. In order to be appointed as a Director, our Directors are not required to hold any Share in our Company.

(xi) Remuneration

Under the Companies Act, the amount of remuneration payable to our Directors shall be determined by our remuneration committee. Under our Articles of Incorporation, our Company is required to enter into written service contracts with our Directors.

(xii) Retirement

There is no provision under the Companies Act relating to the retirement of Directors upon reaching any age limit.

(c) Nomination committee, audit committee and remuneration committee

In accordance with our Articles of Incorporation, our Company is a *company with committees*, which is defined in the Companies Act as any stock company which has a nomination committee, an audit committee and a remuneration committee (the "Three Committees"), each of which consists of not less than three Directors. Each member of the Three Committees will be appointed and dismissed by resolution of our Board of Directors. The matters with respect to each of the Three Committees are provided in the Companies Act or the terms of reference of the Three Committees or otherwise determined by our Board of Directors.

Under our Articles of Incorporation, the composition of the Three Committees shall, from time to time, comply with the requirements of the Companies Act and the Listing Rules.

(d) Executive Officers

(i) Requirement to appoint Executive Officers

Under the Companies Act, a company with the Three Committees shall have one or more Executive Officer(s).

(ii) Duties of Executive Officers

Under the Companies Act, the Executive Officers shall perform the following duties:

(a) deciding on the execution of the operations of our Company that were delegated to our Executive Officers by our Board of Directors pursuant to the Companies Act; and

(b) the execution of the operations of our Company.

(iii) Number and appointment

Under our Articles of Incorporation, our Company shall have not more than ten Executive Officers. All of our Executive Officers shall be appointed by the Board of Directors.

(iv) Duration

Under our Articles of Incorporation, the term of office of an Executive Officer shall end at the closure of the Board meeting that immediately follows the closure of the last annual Shareholders' meeting with respect to the financial year ending within one year from appointment.

(v) Chief Executive Officer (daihyo shikkoyaku 代表執行役*)*

Under our Articles of Incorporation, our Chief Executive Officer shall be appointed by our Board of Directors. Also, our Company may have, but not required to have, through resolution by our Board of Directors, one president Executive Officer, several members of vice president Executive Officer(s), senior Executive Officer(s) and operation Executive Officer(s). The power, duties and other relevant matters with respect to our Executive Officers may be determined by our Board of Directors.

(vi) Compensation

The compensation of the Executive Officer shall be determined by the remuneration committee of our Company.

(vii) Borrowing powers

There is no specific provision in our Articles of Incorporation on our Company's borrowing powers. Under the Companies Act, an Executive Officer may be authorised by our Board of Directors to determine and execute borrowings, including borrowings of a large amount.

(viii) Exemption of Executive Officers

In accordance with our Articles of Incorporation, our Company may exempt current or past Executive Officers from their liabilities for negligence in their duties under the Companies Act by way of resolution of our Board of Directors to the extent allowed under the Companies Act, except where they have been grossly negligent or have acted intentionally.

(e) Alterations to constitutive documents

There is no specific provision in our Articles of Incorporation on amendments to our Articles of Incorporation. Our Company may amend our Articles of Incorporation by way of a special resolution passed at a Shareholders' meeting in accordance with the Companies Act.

(f) Alterations of capital

There is no specific provision in the Articles of Incorporation concerning alterations of our share capital. Share capital is increased upon issue of Shares and may be reduced by, in principle, a special resolution at a Shareholders' meeting and subject to certain requirements under the Companies Act.

(g) Variation of rights of existing Shares or classes of Shares

The Companies Act requires a company incorporated in Japan to amend its articles of incorporation in order to change the rights of existing ordinary shares or to issue new classes of shares. If there is more than one class of Shares, our Articles of Incorporation provide that the quorum for a separate class meeting to consider a variation of the rights of that class of Shares shall be the holders of majority of the issued Shares of that class, unless a greater majority is required under the Companies Act or the Listing Rules.

(h) Voting rights and right to demand a poll

There is no specific provision in our Articles of Incorporation on voting rights. Our Shareholders have one vote per Share pursuant to the Companies Act. The counting of the voting rights by a show of hand (i.e. one person one vote) is not allowed under the Companies Act.

The method of voting is not restricted under the Companies Act, and the chairperson generally may decide the voting method unless a resolution to adopt another voting method is made at the Shareholders' meeting.

(i) Requirements for annual Shareholders' meetings

In accordance with our Articles of Incorporation, our Company is required to convene an annual Shareholders' meeting within three months after the end of each financial year under the Companies Act.

The annual Shareholders' meeting of our Company shall be convened by a resolution of our Board of Directors in accordance with our Articles of Incorporation. Unless otherwise required under applicable laws, the Director who concurrently serves as our Chief Executive Officer shall convene the Shareholders' meeting and act as the chairperson thereat. Under our Articles of Incorporation, our Company will notify our Shareholders the date on which an annual Shareholders' meeting is to be held no less than ten weeks prior to the meeting by making a voluntary announcement on the Company's website and the Stock Exchange's website. Convocation notice of an annual Shareholders' meeting will be despatched to the Shareholders at least 21 days prior to the meeting. Our Company may also, when convening a Shareholders' meeting, use the internet to disclose any information to be provided or indicated as reference materials of a Shareholders' meeting, business reports, financial statements, and consolidated financial statements.

Our annual Shareholders' meeting is usually held every June and we currently plan on holding our annual Shareholders' meetings in Japan and/or any other locations as may be indicated in the convocation notices. According to our Articles of Incorporation, the record date for determining the list of eligible Shareholders attend and vote at an annual Shareholders' meeting is 31 March each year.

Shareholders who are unable to attend the annual Shareholders' meetings will be able to vote by proxies following the procedures set out in "Material Shareholders' Matters under Japanese Law — Shareholder rights and obligations — Voting by proxies". Details as to the location and logistics arrangements of each annual Shareholders' meeting for Shareholders who are unable to attend in person will be announced in their respective convocation notices.

(j) Accounts and audit

There is no specific provision in our Articles of Incorporation on accounts and audit. Our Company prepares financial statements and other documents in accordance with the requirements under Companies Act.

(k) Notices of Shareholders meetings and business to be conducted thereat

Our Articles of Incorporation provides that our Company shall send a notice of convocation of Shareholders' meeting to each Shareholder no later than 21 days prior to the date of such Shareholders' meeting.

(l) Transfer of Shares

Our Articles of Incorporation provides that all Shares in our share capital shall be freely transferrable.

(m) Power for our Company to purchase its own Shares

Our Company may repurchase the Shares in accordance with the requirements under the Companies Act. Pursuant to an extraordinary Shareholders' meeting of our Company dated 20 June 2012, a general unconditional mandate (the "Repurchase Mandate") was given to our Board of Directors to exercise all power of our Company to repurchase such number of Shares on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed and which is recognised by the Stock Exchange and the SFC for this purpose, representing not more than 10% of our Company's entire issued share capital immediately following the completion of the Global Offering. Under the Companies Act, the total book value of the monies paid to the relevant Shareholders pursuant to the exercise of the general mandate to repurchase Shares shall not exceed the Distributable Amount of our Company as at the date of repurchase.

The Companies Act provides that a company may acquire its own Shares pursuant to a Shareholders' resolution. Our Articles of Incorporation also permits the repurchase of Shares through *market transactions, etc.* (*shijo torihiki tou* 市場取引等) by a Board of resolution. Such power, however, is subject to certain restrictions and any applicable requirement under the Listing Rules and Japanese law. Under the Companies Act, repurchases by our Company pursuant to the Repurchase Mandate must be conducted through *market transactions, etc.* (*shijo torihiki tou* 市場取引等). However, given the lack of relevant court precedent in Japan, it is unclear whether repurchases on the Stock Exchange are within the scope of *market transactions, etc.* (*shijo torihiki tou* 市場取引等) under the Companies Act. As such, our Japan Legal Adviser has advised us that there is some uncertainty as to whether the Repurchase Mandate is valid and enforceable under Japanese law in relation to repurchases conducted through the Stock Exchange. Our Board of Directors will, under all circumstances, exercise the Repurchase Mandate only to the extent allowed under all applicable laws and regulations in Hong Kong and Japan, including but not limited to the Listing Rules and the Companies Act. Our Board of Directors undertake not to exercise unless there is clear judicial authority in Japan on whether repurchases on the Stock Exchange are within the scope of *market transactions, etc.* (*shijo torihiki tou* 市場取引等).

Under our Articles of Incorporation, for any transaction between our Company and any party, any action by our Company, or any matter, in each case, that is required to be subject a resolution at a Shareholders' meeting under the Listing Rules or Takeovers Code, as the case may be, such transaction, action or matter shall not be taken to have passed unless the quorum and resolution ratio requirements prescribed under both the Companies and the Listing Rules or Takeovers Code (as the case may be) are satisfied.

Hence, for so long as a share repurchase is required to be approved by the Shareholders under the Listing Rules or the Takeovers Code (as the case may be), our Company may not repurchase the Shares unless the requirements under the Companies Act, the Listing Rules and the Share Repurchase Code of the Takeovers Code are complied with.

(n) Power of any subsidiary to own securities in our Company

There is no specific provision in our Articles of Incorporation on any of our subsidiaries holding the Shares. Our subsidiaries may not acquire the Shares, subject to certain exceptions, such as acquisitions through statutory transactions governed by the Companies Act. Under the Companies Act, if any of our subsidiaries acquires the Shares through any such statutory transaction, it would not be entitled to vote at any Shareholders' meeting and is required to dispose of the acquired Shares as soon as reasonably practicable.

(o) Dividends and other methods of distribution

In accordance with our Articles of Incorporation and the Companies Act, our Company is entitled to pay out dividends from our Distributable Amount which shall be determined in principle by a resolution passed at a Board of Directors, and unless otherwise required under the Companies Act, such matters shall not be determined at the Shareholders' meeting.

In accordance with our Articles of Incorporation, our Company is released from any obligation to pay dividends which have not been claimed after the lapse of six full years from the date of declaration. Further, the record date for the payment of year-end dividends is 31 March each year. Our Company may also pay interim dividends and the record date for interim dividends is 30 September each year.

(p) Proxies

Under our Articles of Incorporation, any Shareholder of our Company who is entitled to attend and vote at a Shareholders' meeting of our Company is entitled to appoint another person as his proxy to attend and vote on behalf of him. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a Shareholders' meeting of our Company or at a class meeting. A proxy needs not be a Shareholder of our Company and there is no limitation nor restriction in respect of the qualification and identity of the proxies and/or corporate representatives to be appointed by the Shareholders. The proxies shall be entitled to exercise the same powers on behalf of a Shareholder who is an individual and for whom he acts as a proxy as such Shareholder could exercise, provided that he/she can present to our Company identity proof and authorisation letter duly signed by such Shareholder (in case of individual Shareholder) or authorised representative of such Shareholder (in case of corporate Shareholder) to prove his/her authority. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Shareholder which is a corporation and for which he acts as a proxy as such Shareholder could exercise if it were an individual Shareholder. Votes may be given either personally (or, in case of a corporate Shareholder, by its duly authorised representative) or by proxy.

Upon the Listing, we will generally require the Shareholders to submit their written votes, proxy forms and/or authorisation letters appointing corporate representatives and/or proxies by close of business on the business day immediately preceding the date of a

Shareholders' meeting. Detailed requirements will be set out in the convocation notice of each Shareholders' meeting, which will be published on the Stock Exchange's website and our Company's website.

(q) Calls on shares and forfeiture of shares

There is no specific provision in our Articles of Incorporation on calls on shares and forfeiture of Shares. Under the Companies Act, our Company cannot issue partially paid Shares, and therefore, our Company cannot make a call upon the Shareholders to pay any money unpaid on the Shares held by them. Pursuant to the Companies Act, a special Shareholders' resolution is required if our Company wishes to merge or conduct other structural changes to our Company that may entail the forfeiture of any Shares in our Company. In order to protect minority Shareholders, the Companies Act provides that in general, any Shareholder who objects to such special Shareholders' resolution is entitled to receive monetary compensation equivalent to the fair market value of such forfeited Shares from our Company.

(r) Inspection of register of members

Shareholders and creditors of our Company are entitled to inspect and make a copy of our share register during the business hours of our Company by giving reasons (which cannot be for an improper purpose) pursuant to the Companies Act. Any person who is not a Shareholder or creditor of our Company may also inspect our share register to the extent allowed under the Personal Data Act. See "Material Shareholders' Matters under Japanese Law — Share register".

(s) Inspection of register of Directors

There is no concept of a register of directors under Japanese law. However, the names of Directors are registered with the relevant authorities in Japan in accordance with the Companies Act, and anyone can review and obtain certified copies of our commercial registration certificate (which shows the names of Directors) issued by such authorities.

(t) Quorum for meetings and separate class meetings

Under the Companies Act, a quorum shall be deemed to be present where Shareholders holding a majority of voting Shares are present in a Shareholders' meeting.

Our Articles of Incorporation provide that where there is more than one class of Shares, the quorum for a separate class meeting to consider a variation of the rights of that class of Shares shall be the holders of majority of the issued Shares of that class in accordance with the Companies Act, unless a greater majority is required under the Companies Act or the Listing Rules.

Under our Articles of Incorporation, for any transaction between our Company and any party, any action by our Company, or any matter, in each case, that is required to be subject a resolution at a Shareholders' meeting under the Listing Rules or Takeovers Code, as the case may be, such transaction, action or matter shall not be taken to have passed unless the quorum and resolution ratio requirements prescribed under both the Companies and the Listing Rules or Takeovers Code (as the case may be) are satisfied. Where a Shareholder is, under the Listing Rules or Takeovers Code (as the case may be), required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, then the resolution regarding the subject transaction, action or

matter must be carried by such number of votes that would have satisfied both the quorum and resolution ratio requirements under the Companies Act and the independent Shareholders' approval requirements under the Listing Rules or Takeovers Code (as the case may be), provided that, for the purpose of satisfying the independent Shareholders' approval requirements under the Listing Rules or Takeovers Code (as the case may be), the number of votes that should be counted shall be in accordance with the relevant requirements set forth in the Listing Rules or the Takeovers Code (as the case may be).

In other words, the above voting mechanism would mean that we would need to count the votes twice to ensure that the requirements under the Companies Act and the Listing Rules or Takeovers Code (as the case may be) are satisfied. Our Directors would first count the number of Shareholders' approval in accordance with the quorum and resolution ratio requirements under the Companies Act, followed by a second counting in accordance with the relevant requirements set forth in the Listing Rules or Takeovers Code (as the case may be). If any of the requisite requirements are not satisfied, the relevant resolution would be taken not to have been approved in a Shareholders' meeting.

To further protect the interests of our minority Shareholders, our Articles of Incorporations also provides that for any transaction that is required to be subject to a resolution at a Shareholders' meeting under the Listing Rules or Takeovers Code (as the case may be), the completion of such transaction shall not take place unless our Board of Directors or its relevant committee passes a resolution after the Shareholders' meeting to confirm that the requisite Shareholders' approval requirement under the Listing Rules or Takeovers Code (as the case may be) has been obtained. This provision shall be made known, by a Director or Executive Officer, to the counter party(ies) in, and be made a condition precedent of, such transaction prior to entering into any binding agreement.

(u) Rights of the minorities in relation to fraud or oppression

There is no specific provision in our Articles of Incorporation on specific minority Shareholders' rights. Certain rights of minority Shareholders such as rights for demanding that the Directors call a Shareholders' meeting, rights to demand that the Directors include certain matters in the agenda of a Shareholders' meeting, and rights to demand that the Directors notify Shareholders of the summary of the proposals to be presented at a Shareholders' meeting, are provided under the Companies Act.

(v) Procedures on liquidation

There is no specific provision in our Articles of Incorporation on liquidation. Procedures on liquidation are provided under the Companies Act.

(w) Untraceable members

Under our Articles of Incorporation, where notices or demands from our Company do not reach a Shareholder for five consecutive years or more, our Company shall no longer be required to give notices or issue demands to such Shareholder under the Companies Act, unless where a notice or demand from our Company is returned undelivered, our Company shall thereafter no longer be required to give notices or issue demands to such Shareholder under the Companies Act.

(x) Accounting auditor

In accordance with our Articles of Incorporation, the accounting auditor shall be appointed by the Shareholders. The duration of duty of the accounting auditor shall end at the closure of the annual Shareholders' meeting held with respect to the last financial year ending within one year from such appointment. The accounting auditor shall be deemed to be re-appointed unless otherwise resolved in such Shareholders' meeting. Our Board of Directors may exempt the accounting auditor from their liabilities for negligence in their duties under the Companies Act by way of a Board resolution to the extent allowed under the Companies Act, except where they were grossly negligence or have acted with intention.

(y) Other key provisions

In addition to the provisions described above, our Articles of Incorporation provide, among other things, the following:

(i) Method of public notice

Our Company is entitled to distribute our public notices electronically, although our Company must publish an announcement in the Nihon Keizai Shimbun newspaper in the event that such electronic distribution is impossible.

(ii) Record date for voting at the annual Shareholders' meetings

Our Company treats a Shareholder who is stated or recorded in the share register and who holds voting right(s) on 31 March of a financial year as a Shareholder who is entitled to exercise his rights as a Shareholder at the annual Shareholders' meeting for that financial year.

(iii) Financial year

The financial year of our Company commences on 1 April of each year and ends on 31 March of the next year.

2. JAPANESE CORPORATION LAW

Our Company was incorporated as a stock company (*kabushiki-gaisha* 株式会社) in Japan and is subject to the Companies Act. The Companies Act sets out the legal basis of a stock company and provides for substantive laws and procedural matters with which a stock company must comply, including matters relating to its establishment, conduct of business, powers of the management and supervisory boards, share capital, the rights and obligations of shareholders

and the dissolution. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which potential investors may be more familiar with:

(a) Categories of companies

(i) Stock companies and partnership-type companies

Under the Companies Act, companies are categorised into stock companies (*kabushiki-gaisha* 株式会社) and partnership-type companies (*mochibun-gaisha* 持分会社):

A partnership-type company is a generic concept comprising the so-called personal companies (*jinteki gaisha* 人的会社), such as a partnership company (*gomei-gaisha* 合名会社), a limited partnership company (*goshi-gaisha* 合資会社) and a limited liability company (*godo-gaisha* 合同会社). Our Company was incorporated as a stock company (*kabushiki-gaisha* 株式会社) and descriptions in this section are principally regarding a stock company (*kabushiki-gaisha* 株式会社).

(ii) Public or non-public companies

Under the Companies Act, companies are categorised into public or non-public companies, and large or other companies:

A public company (*kokai gaisha* 公開会社) is defined as a company whose articles of incorporation do not require the approval of the company for the transfer of any share of one or more classes of the company's stock. On the other hand, a non-public company (*kabushiki joto seigen gaisha* 株式譲渡制限会社) is a company where regarding each class of stock issued by it, transfer of any share is restricted under the articles of incorporation. Given that there is no restriction on the transfer of our Shares, our Company is classified as a public company under the Companies Act.

(iii) Large companies

Companies whose balance sheet for the most recent fiscal year shows a capital of ¥500 million or more, or total liabilities of ¥20 billion or more are defined under the Companies Act as large companies (*daigaisha* 大会社). Our Company is classified as a large company.

(iv) Corporate governance

Under the Companies Act, a company may select several types of corporate governance structures. Our Company is a company with three committees (*iinkai secchi gaisha* 委員会設置会社).

(b) Share capital

(i) Share capital

The share capital of a company is divided into shares. The amount of share capital is the amount paid in by those who are to become shareholders at the time of the establishment of the company, or the issue of shares. Up to half of this amount is not required to be capitalised, but this amount has to be kept as share premium (*shihon junbi kin* 資本準備金). The amount of the share capital is required to be registered with the relevant authorities in Japan.

(ii) Share certificates

The Companies Act defines a "share certificate issuing company" as a company the articles of incorporation of which have provisions to the effect that a share certificate representing its shares (or, in the case of a company with class shares, shares of all classes) shall be issued. Our Company is categorised as a share certificate issuing company (*kabuken hakkou gaisha* 株券発行会社).

A company which does not have provisions in its articles of incorporation to issue share certificates is hereinafter referred to as a non-share certificate issuing company (*kabuken fuhakkou gaisha* 株券不発行会社).

(iii) Transfer of shares

In principle, shares are freely transferable, but companies may place a restriction on transfer of shares, for example, by subjecting such transfer to shareholders or board approval. Transfer can be restricted to all the shares, or to a specific class of shares. Under our Articles of Incorporation, there is no restriction on the transfer of our Shares.

Transfer of shares in a share certificate issuing company shall not become effective unless the share certificates representing such shares are physically delivered; however, this shall not apply to the transfer of shares arising out of the disposition of treasury shares. The subscriber for treasury shares in a share certificate issuing company shall become the shareholder of such shares on the day when the subscriber has paid consideration for such shares. The transfer of shares in a share certificate issuing company shall not be perfect unless the name and address of the person who acquires those shares is stated or recorded in the share register.

(iv) Classes of shares

The Companies Act permits a company to issue shares with specified rights that are not associated with all shares. Classes of shares permitted under the Companies Act include shares with rights in respect of the following matters:

(a) payment of dividends;

(b) distribution on liquidation;

(c) restriction on voting rights;

(d) restriction on share transfer;

(e) appointment of officers at a shareholders' meeting of a certain class; and

(f) matters to be approved at a shareholders' meeting of a certain class as well as a general shareholders' meeting.

In addition to the above, the following types of shares are recognised as permissible classes of shares under the Companies act:

(a) shares with the right to claim for repurchase (*shutoku seikyuken-tsuki kabushiki* 取得請求権付株式);

(b) shares with repurchase clauses (*shutoku joko-tsuki kabushiki* 取得条項付株式); and

(c) shares with clauses to repurchase all shares of a certain class (*zenbu shutoku joko-tsuki kabushiki* 全部取得条項付株式).

Shares with the right to claim for repurchase (*shutoku seikyuken-tsuki kabushiki* 取得請求権付株式) are shares with respect to which the shareholders have put options exercisable against the company. In the event such options are exercised, the company may deliver bonds, share acquisition rights, bonds with share acquisition rights, shares or other assets as consideration, as specified in such company's articles of incorporation. Shares with repurchase clauses (*shutoku joko-tsuki kabushiki* 取得条項付株式) are shares with respect to which a company has call options exercisable against the shareholders when a certain trigger event occurs. Similarly, in the event such options are exercised, the company may deliver bonds, share acquisition rights, bonds with share acquisition rights, shares or other assets as consideration, as specified in its articles of incorporation. Shares with clauses to repurchase all shares of a certain kind are shares with respect to which a company has options to purchase all the shares of a certain class (*zenbu shutoku joko-tsuki kabushiki* 全部取得条項付株式) by a special resolution of a shareholders' meeting.

In order to issue classes of shares, the details and the number of such shares as can be issued need to be specified in the articles of incorporation. Our Company only has one class of Shares (ordinary Shares).

(v) Unit Share System

Shareholders have, in principle, one vote per share. However, if a company adopts a unit share system, a vote is given not to each share, but to a unit of shares specified under its articles of incorporation. Under the Companies Act, one unit of shares cannot exceed 1,000 shares. Shareholders who hold shares below a unit are entitled to require the company to repurchase these shares. Our Company does not adopt a unit share system.

(vi) Rights of existing shares

Shareholders (excluding (i) a shareholder who is prescribed as an entity in a relationship that may allow the company to have substantial control of such entity through the holding of one quarter or more of the votes of all shareholders of such entity or other reasons, (ii) the company itself in respect of the treasury stock, (iii) a shareholder who has less than one share unit, (iv) a class shareholder whose class shares do not carry voting rights and (v) a shareholder whose shares are to be

repurchased pursuant to Paragraph 3 of Article 140, Paragraph 4 of Article 160 and Paragraph 2 of Article 175 of the Companies Act) have one vote per share. Exercise of voting rights by a proxy is permitted under the Companies Act.

To alter the rights of existing shares, a company is required to amend its articles of incorporation, which requires a special resolution of the shareholders.

(vii) Stock split, gratuitous allocation of stock and reverse stock split

A company may at any time split shares in issue into a greater number by a resolution of the board of directors. Under our Articles of Incorporation, stock splits must be approved by our Shareholders by way of an ordinary resolution.

Under the Companies Act, a company may allot any class of shares to the company's existing shareholders without any additional contribution by a board resolution, or gratuitous allocation, provided that any such gratuitous allocation will not accrue to any treasury stock. Under our Articles of Incorporation, Shares may be issued and allotted to any party by an ordinary resolution of the Shareholders, except in the circumstances where an allotment or issue of Shares to a third party is proposed on terms and conditions *especially favourable* to such third party, in which case a special resolution of the Shareholders will be required under the Companies Act. Under our Articles of Incorporation, our Board of Directors may be entrusted with the power to issue and allot Shares by way of a general mandate granted by our Shareholders via an ordinary resolution.

Pursuant to an extraordinary Shareholders' meeting of our Company dated 20 June 2012, a general unconditional mandate (the "General Mandate") was granted to our Directors to allot, issue and deal with such number of Shares representing not more than the sum of (i) 20% of the entire issued share capital of our Company in issue immediately following completion of the Global Offering; and (ii) the aggregate number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares granted to our Directors on the same date. Under Japanese law, the General Mandate is not enforceable when (i) an allotment or issue of Shares to a third party is proposed on terms and conditions *especially favourable* to such third party (in which case a special resolution of the Shareholders is required); or (ii) after an allotment, issue, or dealings in the Shares pursuant to the General Mandate, our entire issued share capital exceeded or would exceed the maximum number of Shares authorised to be issued by our Company, which is 2,520,000,000 Shares under our Articles of Incorporation.

A company may at any time consolidate its shares into a smaller number of shares by a special resolution at a Shareholders' meeting.

(viii) Share acquisition rights (Shinkabu yoyakuken 新株予約権*) ("SAR")*

The Companies Act defines a SAR as a right upon the exercise of which the holder is entitled to receive shares of the issuing company.

SARs do not need to be combined with bonds. It is possible to grant SARs on their own as well as in combination with other financial products.

In order to offer a SAR, certain details need to be approved by a special resolution of the shareholders, including: (i) its details and number; (ii) whether it is issued in a gratuitous manner or not; and (iii) if not, the amount of payment or the method of its calculation, etc.

If SARs are issued in a gratuitous manner and they comprise an *especially favourable* term to the subscriber, or if the issue price is *especially favourable* to the subscriber, the board of directors must explain the rationale behind the issue of SARs in the said manner at a shareholders' meeting. Where SARs are proposed to be issued in a gratuitous manner, with an *especially favourable* term to the subscriber, or with an issue price that is *especially favourable* to the subscriber, such issue must be approved by a special resolution of the shareholders.

SARs may be issued to the existing shareholders with or without consideration. In such cases, shareholders are entitled to subscribe to the SARs pro-rata to their shareholding.

(ix) Reduction of share capital

A special resolution of the shareholders is required for reduction of share capital. However, where the share capital is reduced in order to cover the deficit at the annual Shareholders' meeting, an ordinary resolution of the shareholders will suffice.

A company must follow certain procedures to protect its creditors' interests when reducing its share capital. A company must publicise the proposed reduction and inform creditors of their entitlement and allow a fixed objection period of no less than one month in the official gazette. The company also must individually notify every known creditor, but this requirement can be exempted under certain circumstances.

(x) Shares held by subsidiaries

Subsidiaries may not acquire shares of their parent company, subject to certain exceptions such as acquisition through certain mergers and acquisitions transactions, acquisitions without consideration, and acquisitions as distribution of surplus from a company other than the parent company. When a subsidiary acquires shares of its parent company pursuant to such exceptions, it is not entitled to vote at any shareholders' meeting and is required to dispose of them at an appropriate time.

(xi) Untraceable shareholders

The Companies Act provides that where notices have not reached a shareholder for five consecutive years and the shareholders of such shares have not received dividends of surplus for five consecutive years, the company shall be entitled to sell or auction the shares of such a shareholder. In exercising this right, a company is required to make a public notice and make a demand to a shareholder or a registered pledgee of shares seeking no objection at least three months prior to such sale or auction.

(c) Financial assistance to purchase shares of a company or its holding company

There is no specific restriction under the Companies Act on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Under our Articles of Incorporation, our Company may not

provide financial assistance to another person for the purpose of, or in connection with, a purchase made or to be made by any person of any Shares in our Company, unless permitted under the Companies Act and the Companies Ordinance (as if our Company were a listed company incorporated in Hong Kong).

(d) Purchase of shares by a company

Shares can be purchased from shareholders with their consent (i) from the market, (ii) from all shareholders, or (iii) from a specific shareholder.

With respect to case (i) above, companies with a board of directors may, if the articles of incorporation allow, repurchase shares from the market with a board resolution. If the shares are repurchased from all shareholders (case (ii) above), an ordinary resolution of the shareholders is sufficient. If shares are repurchased from specific shareholder (case (iii) above), a special resolution of the Shareholders is required. In case (iii) above, the name of this such specific shareholder is required to be disclosed and approved at a shareholders' meeting. Subject to certain exceptions, other shareholders are entitled to demand the relevant company to repurchase their shares in the same manner.

The source of funds for carrying out the share repurchase is restricted to the Distributable Amount as defined in the paragraphs headed "— Japanese Corporation Law — (e) Dividends and distribution — (i) Restriction on distribution of dividends" below.

The Companies Act provides that a company may acquire its own Shares pursuant to a Shareholders' resolution. Our Articles of Incorporation also permits the repurchase of Shares through *market transactions, etc.* (*shijo torihiki tou* 市場取引等) by a Board of resolution. Such power, however, is subject to certain restrictions and any applicable requirement under the Listing Rules and Japanese law. Under the Companies Act, repurchases by our Company pursuant to the Repurchase Mandate must be conducted through *market transactions, etc.* (*shijo torihiki tou* 市場取引等). However, given the lack of relevant court precedent in Japan, it is unclear whether repurchases on the Stock Exchange are within the scope of *market transactions, etc.* (*shijo torihiki tou* 市場取引等) under the Companies Act. As such, our Japan Legal Adviser has advised us that there is some uncertainty as to whether the Repurchase Mandate is valid and enforceable under Japanese law in relation to repurchases conducted through the Stock Exchange. Our Board of Directors will, under all circumstances, exercise the Repurchase Mandate only to the extent allowed under all applicable laws and regulations in Hong Kong and Japan, including but not limited to the Listing Rules and the Companies Act. Our Board of Directors undertake not to exercise unless there is clear judicial authority in Japan on whether repurchases on the Stock Exchange are within the scope of *market transactions, etc.* (*shijo torihiki tou* 市場取引等).

Under our Articles of Incorporation, for any transaction between our Company and any party, any action by our Company, or any matter, in each case, that is required to be subject a resolution at a Shareholders' meeting under the Listing Rules or Takeovers Code, as the case may be, such transaction, action or matter shall not be taken to have passed unless the quorum and resolution ratio requirements prescribed under both the Companies and the Listing Rules or Takeovers Code (as the case may be) are satisfied.

Hence, for so long as a share repurchase is required to be approved by the Shareholders under the Listing Rules or the Takeovers Code (as the case may be), our Company may not repurchase the Shares unless the requirements under the Companies Act, the Listing Rules and the Share Repurchase Code of the Takeovers Code are complied with.

(e) Dividends and distributions

Under the Companies Act, a company may stipulate in its Articles of Incorporation that its board of directors may determine dividend distribution unless such dividend is proposed to be paid in kind (other than shares, bonds (including convertible bonds) and share options issued by such company, which the Companies Act prohibits) without giving shareholders the right to demand distribution in cash (in which case a special shareholders' resolution would be required)). Accordingly, under our Articles of Incorporation, our Company may distribute dividend by a resolution of our Board of Directors unless such dividend is be paid in kind (other than Shares, bonds (including convertible bonds) and share options issued by our Company, which the Companies Act prohibits) without giving Shareholders the right to demand distribution in cash). A resolution of our Board of Directors authorising a distribution of dividends must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of the assets to Shareholders and the effective date of the distribution. The record date for year-end dividends shall be 31 March each year, however, our Company may determine a different record date for an additional declaration of dividends. Also, our Board of Directors may authorise the distribution of an interim dividend with a record date of 30 September each year under our Articles of Incorporation.

Under the Companies Act, Shares, bonds (including convertible bonds) and share option issued by our Company are prohibited from being distributed as dividend and interim dividend can only be distributed as cash. Scrip dividends in the form of Shares, bonds (including convertible bonds) or share option issued by our Company are prohibited under the Companies Act. The Companies Act provides that a company with a board of directors may distribute interim dividends every financial year if a company provides in its articles of incorporation that it may do so by a resolution of the board of directors. Our Articles of Incorporation provide that our Company may distribute interim dividends by a Board resolution, and the relevant record date is 30 September each year.

According to the Civil Code, claims, including Shareholders' rights to receive distributions of dividends and residual assets, are extinguished if they had not been exercised for ten years, unless there is a Japanese court precedent permitting a provision to be included in the articles of incorporation of a Japanese company allowing Shareholders' rights to receive distributions of dividends to be extinguished if it has not been exercised for five years. On 3 August 1927, the Supreme Court of Japan ruled that a Japanese company may, in its articles of incorporation, allow Shareholders' rights to receive dividends to be extinguished if it has not been exercised for a period less than ten years. Accordingly, under our Articles of Incorporation, all dividends unclaimed for six years after having been declared may be forfeited by, and reverted to, our Company.

(i) Restriction on distribution of dividends

When we distribute dividends, the smaller amount of (i) 10% of the surplus so distributed, or (ii) an amount equal to one quarter of our share capital less the aggregate amount of our share premium (*shihon junbi kin* 資本準備金) and legal reserve (*rieki junbi kin* 利益準備金) as at the date of such distribution needs to be set

aside either as share premium (*shihon junbi kin* 資本準備金) or legal reserve (*rieki junbi kin* 利益準備金) until the aggregate amount of its share premium (*shihon junbi kin* 資本準備金) or legal reserve (*rieki junbi kin* 利益準備金) reaches one quarter of its share capital.

Under the Companies Act, a company may distribute dividends up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as at the effective date of the distribution (the "Distributable Amount"), if net assets are not less than ¥3,000,000:

(a) the amount of retained earnings (*joyo kin* 剰余金), as described below;

(b) in the event that extraordinary financial statements as at, or for a period from the beginning of the financial year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net income for such period described in the statement of operations constituting the extraordinary financial statements, and (ii) the amount of consideration received for treasury stock disposed of during such period;

(c) the book value of treasury stock;

(d) in the event that a company disposes of treasury stock after the end of the latest financial year, the amount of consideration received for such treasury stock;

(e) in the event described in (b) above, the amount of net loss for such period described in the statement of operations constituting the extraordinary financial statements; and

(f) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of our goodwill and deferred assets exceeds the total of our share capital, share premium (*shihon junbi kin* 資本準備金) and legal reserve (*rieki junbi kin* 利益準備金), each such amount as it appears on the balance sheet as at the end of the latest financial year) all or a certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purpose of (b) above, an extraordinary financial statement of a company is (aa) a balance sheet of such company as at the extraordinary account closing date, which is a particular date in the current financial year designated at the discretion of such company; and (bb) a profit and loss statement of such company for the period commencing from the first date of the current financial year and ending on the extraordinary account closing date. Under Japanese law, a company may opt to, but is not required under any circumstances to, prepare extraordinary financial statements, especially when such company wishes to know its financial status at a particular point of the current financial year.

For indicative purposes, our Company's annual report incorporating financial statements (or a summary financial report) prepared in accordance with IFRS will include the Distributable Amount as at the end of the fiscal year.

For the purposes of this section, the amount of retained earnings (*joyo kin* 剰余金) is the excess of the aggregate of I. through IV. below, less the aggregate of V. through VII. below:

I. the aggregate of other capital surplus and other retained earnings at the end of the last financial year;

II. in the event that a company disposes treasury stock after the end of the last financial year, the difference between the book value of such treasury stock and the consideration received for such treasury stock;

III. in the event that share capital is reduced after the end of the last financial year, the amount of such reduction less the portion thereof that has been transferred to share premium (*shihon junbi kin* 資本準備金) and/or legal reserve (*rieki junbi kin* 利益準備金) (if any);

IV. in the event that share premium (*shihon junbi kin* 資本準備金) and/or legal reserve (*rieki junbi kin* 利益準備金) were reduced after the end of the last financial year, the amount of such reduction less the portion thereof that has been transferred to share capital (if any);

V. in the event that a company cancels treasury stock after the end of the last financial year, the book value of such treasury stock;

VI. in the event that a company distributes dividends after the end of the last financial year, the aggregate of the following amounts:

a. the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders as a result of their exercise of the right to receive dividends in cash instead of dividends in kind;

b. the aggregate amount of cash distributed to shareholders who exercised the right to receive a distribution in cash instead of a distribution in kind; and

c. the aggregate amount of cash paid to shareholders holding fewer shares than the shares that were required in order to receive a distribution in kind;

VII. the aggregate amounts of a. through d. below, less e. and f. below:

a. in the event that the amount of retained earnings (*joyo kin* 剰余金) was reduced and transferred to share premium (*shihon junbi kin* 資本準備金), legal reserve (*rieki junbi kin* 利益準備金) and/or share capital after the end of the last financial year, the amount so transferred;

b. in the event that a company distributes dividends after the end of the last financial year, the amount set aside in our reserve (*junbi kin* 準備金);

c. in the event that a company disposes treasury stock through (x) a merger in which a company acquires all rights and obligations of another company, (y) a corporate split in which a company acquires all or a part of the rights and obligations of the split-off company or (z) a share exchange in which a company acquires all shares of another company after the end of the last financial year, the difference between the book value of such treasury stock and the consideration that the company received for such treasury stock;

d. in the event that the amount of retained earnings (*joyo kin* 剰余金) was reduced in the process of a corporate split in which a company transferred all or a part of its rights and obligations after the end of the last financial year, the amount so reduced;

e. in the event of (x) a merger in which a company acquires all rights and obligations of another company, (y) a corporate split in which a company acquires all or a part of the rights and obligations of the split-off or (z) a share exchange in which a company acquires all shares of another company after the end of the last fiscal year, the aggregate amount of (i) the amount of other capital surplus after such merger, corporate split or share exchange, less the amount of other capital surplus before such merger, corporate split or share exchange, and (ii) the amount of other retained earnings after such merger, corporate split or share exchange, less the amount of other retained earnings before such merger, corporate split or share exchange; and

f. in the event that an obligation to cover a deficiency, such as the obligation owed by a person who subscribed to newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the last fiscal year, the amount of other capital surplus increased by such payment.

In Japan, the record date for any distribution of dividends generally comes before the date a company determines the amount of distribution of dividends to be paid.

(f) Protection of minority shareholders

(i) Rights to demand that directors to call a shareholders' meeting

Under the Companies Act, shareholders holding shares consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) representing not less than 3% (or, where a lesser proportion is prescribed in the articles of incorporation, that prescribed proportion) of the votes of all shareholders may demand that the directors, by illustrating the matters which shall be the purpose of the shareholders' meeting (limited to matters on which the Shareholders may exercise their votes) and providing the reason for the calling of the Shareholders' meeting. Our Articles of Incorporation removed the said six months' consecutive ownership requirement. As such, all Shareholders who are interested in, as at the time of the demand, 3% or more of the votes of all Shareholders may demand the Directors to convene a Shareholders' meeting in the procedures prescribed above.

In cases where (i) the calling procedure is not effected without delay after the demand stated above is made; or where (ii) a notice is not despatched for the calling of the shareholders' meeting which designates, as the day of the shareholders' meeting, a day falling within the period of eight weeks (or, where any period less than that is provided for in the articles of incorporation, that period) from the day of the demand, the shareholders who made the demand may proceed to call the shareholders' meeting with the court's permission.

(ii) Rights to demand that directors add certain matters to the agenda of a shareholders' meeting

At a company with board of directors, only shareholders holding consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than 1% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than 300 (or, where a lesser number is prescribed in the articles of incorporation, that number) votes of all shareholders may demand that the directors include certain matters in the agenda of the shareholders' meeting. In those cases, that demand shall be submitted no later than eight weeks (or, where a shorter period is prescribed in the articles of incorporation, that prescribed period) prior to the day of the shareholders' meeting. Our Articles of Incorporation removed the said six-month consecutive ownership requirement. As such, any Shareholder interested in, as at the time of request, 1% of the votes of all Shareholders, may demand the Directors to include certain matters in the agenda of our Shareholders' meetings.

Our Company will notify the Shareholders of the date on which an annual Shareholders' meeting is to be held no less than ten weeks prior to the date of such meeting by making a voluntary announcement on the Company's website and the Stock Exchange's website.

(iii) Rights to demand that directors include a proposal in a convocation notice

Shareholders may demand that the directors, no later than eight weeks (or, where any period less than that is prescribed in the articles of incorporation, that prescribed period) prior to the day of the shareholders' meeting, notify shareholders of the summary of the proposals which the demanding shareholders intend to submit with respect to the matters that are the purpose of the shareholders' meeting; however, for a company with board of directors, only shareholders holding consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than 1% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than 300 (or, where a lesser number is prescribed in the articles of incorporation, that prescribed number) votes of all shareholders may make the demand. Our Articles of Incorporation removed the said six-month consecutive ownership requirement. As such, any Shareholder interested in, as at the time of request, 1% of the votes of all Shareholders may demand the Directors to include a proposal in the convocation notices of our Shareholders' meetings.

Our Company will notify the Shareholders of the date on which an annual Shareholders' meeting is to be held no less than ten weeks prior to the date of such meeting by making a voluntary announcement on the Company's website and the Stock Exchange's website.

(iv) Derivative action

In a derivative action, shareholders are allowed to pursue the liability of directors *vis-à-vis* the company on its behalf. In addition to the recovery of the loss to the company, this system also functions as a deterrent against negligence of duties and wrongdoings by directors and other officers of the company. A shareholder who has held a share for six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) before taking action is entitled to require the company, in writing, to initiate an action to pursue the liability of directors, accounting adviser, statutory auditors, senior executive officers, accounting auditors, incorporators, directors and statutory auditors in the establishment procedure, and liquidators. However, if the action is intended for the unjust benefit of the plaintiff shareholder, or a third party, or to cause damage to the company, this does not apply. If the company does not take any action within sixty days of the request, the shareholder who made the request is entitled to initiate an action in pursuit of liability of the above people. If, by waiting sixty days, there is a likelihood of irrecoverable loss caused to the company, the shareholder may initiate an action straight away.

Liability of directors can be capped (i) by a resolution of the general shareholders' meeting after the incident, or (ii) by the articles of incorporation in advance. However, if shareholders holding not less than 3% (or, where a lesser proportion is prescribed in the articles of incorporation, that prescribed proportion) of the votes of all shareholders (excluding officers subject to the liability) state objections to such a cap during a specified period of time, the company shall not effect the exemption pursuant to those provisions of the articles of incorporation.

(v) Compulsory acquisitions

Under Japanese law, there is no specific provision as to the circumstances under which minority Shareholders may be brought out of our Company or may require an offeror to buy out their interests in our Company after a successful takeover or share repurchase. However, our Japan Legal Adviser confirmed that this can be accomplished in the following manner:

(a) Buying out of minority Shareholders

Under the Companies Act, there is no specific provision for buying out or compulsory acquisition of Shares from minority Shareholders. However, our Company may adopt certain measures to buy out the minority Shareholders from our Company, including:

(1) conversion of Shares into class Shares subject to a class-wide call pursuant to which only fractional Shares are provided to minority Shareholders upon our Company exercising its call (as a result, minority Shareholders can only receive cash);

(2) a merger pursuant to which Shares of the surviving (or consolidated) company is not provided to any Shareholders of the dissolving company or only fractional shares of the surviving (or consolidated) company are provided to all minority Shareholders (as a result, minority Shareholders can only receive cash);

(3) a statutory share exchange pursuant to which no shares of the wholly-owing parent company is provided to all minority shareholders of the wholly-owned subsidiary (as a result, minority Shareholders can only receive cash);

(4) a statutory share transfer pursuant to which no shares of the wholly-owing parent company is provided to any minority shareholders of the wholly-owned subsidiary or only fractional shares of the wholly-owning parent are provided to all minority shareholders of the wholly-owned subsidiary (as a result, minority Shareholders can only receive cash); and

(5) a consolidation of Shares pursuant to which only fractional Shares are provided to all minority Shareholders (as a result, minority Shareholders can only receive cash).

In general, according to the Companies Act, each of the above measures may require a special resolution of a Shareholders' meeting, approved by two-third of the votes cast at such Shareholders' meeting at which Shareholders holding at least one-third of the total voting rights in our Company are present.

Further, there is no restriction in relation to the acquisition price in any transaction set forth under items (1), (2), (3) and (4) above. However, the Companies Act provides dissenting Shareholders with right to receive monetary compensation calculated based on the fair value of our Company's Shares if they dissent to any transaction set forth under items (1), (2), (3) and (4) above prior to the relevant Shareholders' meeting and actually vote against the relevant resolution of a transaction at the Shareholders' meeting.

In this regard, our Articles of Incorporation increase the protection to minority Shareholders by providing that at least 90% of votes from all Shareholders holding Shares with voting rights are required to (i) approve the above-mentioned measures to buy the minority Shareholders out of our Company; and (ii) to amend the provisions in our Articles of Incorporation relevant to this 90% voting requirements.

(b) Rights of minority Shareholders to request for a compulsory acquisition

Under the Companies Ordinance, in case of a successful takeover, minority shareholders have the right to require the person conducting the takeover to acquire Shares held by such minority Shareholders if they have not accepted the takeover offer before the expiry of the offer. There is no equivalent provision under Japanese law. However, a Shareholder may, under the Companies Act, force our Company to repurchase his/her Shares at a fair price following a merger or business transfer, provided that such Shareholder (i) has informed our Company his objection to such merger or business transfer prior to the Shareholders' meeting approving the relevant merger or business transfer; and (ii) has voted against such merger or business transfer at the relevant Shareholders' meeting.

A Shareholder may, in addition to the above circumstance, require our Company to repurchase his/her Shares if he/she has informed our Company of his/her objection to the following transactions prior to the Shareholders' meeting, and has voted against the special resolution at the Shareholders' meeting in respect of the following transactions:

(a) the introduction of restrictions on share transfers;

(b) the introduction of a condition that permits our Company to force Shareholders to sell the Shares to our Company;

(c) in case the following transactions are determined for a certain class of Shares without resolution of corresponding class Shareholders' meeting:

(1) consolidation of Shares or splitting of Shares;

(2) allotment of Shares without contribution;

(3) amendment to the Articles on the share unit;

(4) certain solicitation of persons to subscribe for the Shares of our Company;

(5) certain solicitation of persons to subscribe for the share options; and

(6) allotment of share options without contribution.

In the above circumstances, a Shareholder must inform our Company of his/her objection prior to the Shareholders' meeting and must vote against the special resolution at the Shareholders' meeting. The Shareholder must specify the number of shares he/she wishes to have our Company purchase within 20 days prior to the effective date of the special resolution.

(g) Management

(i) The shareholders' meeting

The shareholders' meeting is empowered to decide upon matters provided for in the Companies Act as well as all matters concerning the organisation, management, administration, etc. of a company. There are two types of the shareholders' meeting: extraordinary shareholders' meeting and annual shareholders' meeting. In companies with a board of directors, the shareholders' meeting is empowered to decide only upon matters provided for in the Companies Act and in the articles of incorporation. A company is required to convene an annual shareholders' meeting within three months after the end of each financial year.

Under our Articles of Incorporation, our Company will notify the Shareholders the date on which an annual Shareholders' meeting is to be held no less than ten weeks prior to the meeting by making a voluntary announcement on the Company's website and the Stock Exchange's website. Notice of convocation of a shareholders' meeting setting forth the time, place, purpose thereof and certain other matters set forth in the

Companies Act and relevant ordinances, together with business report and financial results must be mailed to each shareholder having voting rights at least 21 days prior to the date set for such meeting. Such notice may be given to the Shareholders by electronic means, subject to the consent of the relevant Shareholders.

There are three types of resolution: an ordinary resolution (*futsu ketsugi* 普通決議), a special resolution (*tokubetsu ketsugi* 特別決議), and a qualified special resolution (*tokushu ketsugi* 特殊決議).

(a) Ordinary resolutions

An ordinary resolution shall be passed by a majority of the votes cast at a Shareholders' meeting at which shareholders representing more than half of the total voting rights in our Company need to be present. Quorum can be set by the articles of incorporation. For a resolution to appoint or dismiss directors, statutory auditors, etc., even by the articles of incorporation, the quorum cannot be set below one third.

(b) Special resolutions

A special resolution shall be made by two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes cast at a Shareholders' meeting where the shareholders representing more than half of the total voting rights in our Company are present. A special resolution is required in certain matters, including:

- reverse stock split;
- issue of new shares on terms and conditions that are *especially favourable*;
- issue of share acquisition rights at a particularly favourable subscription price or particularly favourable conditions;
- distribution of dividend in kind (other than Shares, bonds (including convertible bonds) and share options issued/granted by our Company, which the Companies Act prohibits) without giving shareholders the rights to demand distribution in cash;
- acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and which continue to be used for its business (*jigo-setsuritsu* 事後設立);
- merger;
- corporate split;
- share exchange (*kabushiki-kokan* 株式交換) and share transfer (*kabushiki iten* 株式移転);
- transfer of the entire business or a significant part of the business; and
- dissolution of the company.

For further information of share exchanges (*kabushiki-kokan* 株式交換) and share transfers (*kabushiki iten* 株式移転) that require approval by special resolutions, please refer to "— 2. Japanese Corporation law — (m) Share transfers and share exchanges" in this Appendix below.

(c) Qualified special resolutions

Under the Companies Act and the Articles of Incorporation, there are matters that require resolution of the Shareholders that is more stringent than a special resolution. With respect to resolutions for matters described below, the approval of both (i) 50% or more of the Shareholders who are entitled to exercise their voting rights at a Shareholders' meeting; and (ii) two thirds or more of the votes of such Shareholders is required:

- amendment to the Articles of Incorporation, as a result of which any or all of the Shares of the Company is restricted and requires the approval of the Board of Directors;

- approval of an absorption-type (*kyushu gappei* 吸収合併) merger by which the Company would be dissolved or of a statutory share exchange by which the Company would become a wholly-owned subsidiary, where the Company does not restrict transfer of its Shares and all or part of the consideration paid to the Shareholders consist of Shares with transfer restrictions; and

- approval of a incorporation-type merger (*shinsetsu gappei* 新設合併) by which the Company would be dissolved or of a statutory share transfer by which the Company would become a wholly-owned subsidiary, where the Company does not restrict transfer of its Shares and all or part of the consideration paid to the Shareholders consist of Shares with transfer restrictions.

Absorption-type mergers (*kyushu gappei* 吸収合併) and incorporation-type mergers (*shinsetsu gappei* 新設合併) are the two types of mergers allowed under the Companies Act. An absorption-type merger (*kyushu gappei* 吸収合併) is a merger whereby an existing company absorbs one or more other existing companies, while an incorporation-type merger (*shinsetsu gappei* 新設合併) is a merger whereby a new company is incorporated to absorb one or more existing companies.

As a general rule, a special resolution is sufficient for approving an absorption-type merger or an incorporation-type merger. However, as exceptions to the general rule, Japanese law requires a more stringent approval requirement for the two types of transactions above as holders of shares without transfer restrictions in the pre-merger entity would, as a result of the two types of transactions above, become holders of shares with transfer restrictions in the post-merger entity, thereby limiting their equity interests.

With respect to resolutions for matters described below, the approval of both (i) 50% or more of all Shareholders; and (ii) 75% or more of the votes of such Shareholders is required:

- amendment to the Articles of Incorporation that would result in unequal treatment to any Shareholder.

(d) Resolutions that require unanimous Shareholders' approval

There are also cases where unanimous Shareholders' approval is required:

- full exemption from certain type of liability of a Director, accounting auditors and Executive Officer;
- establishment of, or amendments to, a provision in the Articles of Incorporation that would give the Company the right to redeem all Shares of the Company if the Articles of Incorporation does not permit issuance of more than one class of Shares;
- establishment of, or amendment to, a provision in the Articles of Incorporation prohibiting Shareholders from requesting the Company to include them among Shareholders from whom the Company has determined to repurchase Shares;
- convocation of a Shareholders' meeting without sending a convocation notice to Shareholders;
- passing a written resolution without convening a Shareholders' meeting; and
- conversion into another type of company.

Under our Articles of Incorporation, for any transaction between our Company and any party, any action by our Company, or any matter, in each case, that is required to be subject a resolution at a Shareholders' meeting under the Listing Rules or Takeovers Code, as the case may be, such transaction, action or matter shall not be taken to have passed unless the quorum and resolution ratio requirements prescribed under both the Companies Act and the Listing Rules or Takeovers Code (as the case may be) are satisfied. Any Shareholders' resolution shall where so required under the Listing Rules or Takeovers Code (as the case may be) be approved in a manner that satisfies not only the above requirements under the Companies Act, but also the requirements under the Listing Rules or Takeovers Code (as the case may be).

(ii) Directors and the board of directors

It is mandatory for each company to have a director. In companies with three committees, there must be a board of directors consisting of at least three directors. Certain persons such as a juridical person may not become a director of a company. However, a public company (which our Company is one) may not limit the qualifications of directors by requiring such directors to be one of its shareholders. Directors are appointed and dismissed at the general shareholders' meeting. Shareholders representing more than half of the total voting rights (this quorum can be lowered by the articles of incorporation, but cannot be lower than one-third of the votes) need to be present, and an ordinary resolution of shareholders' meeting is required. The same applies to dismissals of Directors. When the appointment of two or more directors is on the agenda, shareholders may propose resorting to the cumulative voting system, but this can be excluded by the articles of incorporation. Our Articles of Incorporation have excluded such cumulative voting system. Directors can be dismissed any time at the general shareholders' meeting by an ordinary

resolution. In companies that issued shares with a veto right regarding the dismissal of directors, such dismissal must also be approved at the meeting of shareholders of this class. In companies with shares to appoint a certain number of directors, dismissal of such directors so appointed requires the approval of this class of shareholders.

The term of office of our Directors terminates at the close of the general meeting of Shareholders relating to the last fiscal year ending within one year from the election of the director. However, such term may be shortened by the articles of incorporation or a resolution of a general meeting of shareholders.

In companies with three committees, directors, as a rule, do not execute the business of the company. The board of directors in those companies is intended to perform a supervisory role.

(iii) Three Committees

Three Committees include the nomination committee, the audit committee and the remuneration committee. Under the Companies Act, each of the Three Committees shall comprise three or more Directors and the majority of them shall be outside directors (*shagai torishimariyaku* 社外取締役). An outside director is defined under the Companies Act as a director who (a) is neither an executive director nor executive officer, nor an employee, including a manager, of a company or any of its subsidiaries; and (b) who has never been an executive director nor executive officer, nor an employee, including a manager, of a company or any of its subsidiaries. In addition to the requirements under the Companies Act, our Articles of Incorporation provides that the composition of the Three Committees shall, from time to time, comply with the requirements under the Listing Rules. The members of each of the Three Committees shall be appointed and dismissed by resolution of the board of Directors.

The nomination committee shall determine the contents of proposals regarding the election and dismissal of directors to be submitted to a shareholders meeting.

The audit committee shall audit the execution of duties by executive officers and directors and preparing audit reports or determine the contents of proposals regarding the election and dismissal of accounting auditors and the refusal to re-elect accounting auditors to be submitted to a shareholders meeting.

The remuneration committee shall determine the remunerations for individual executive officers and directors.

(iv) Executive officers

In companies with three committees, instead of representative directors, there are executive officers (*shikko-yaku* 執行役) who are appointed by the board of directors, but not necessarily from among the directors, and chief executive officers who are appointed by the board of directors from among executive officers to represent the company. There is a mandate relationship between three committees and executive officers. Executive officers make decisions on the matters delegated to them by the decision of the board of directors, and execute the business of the company. The term of office of the executive officers shall expire at the first meeting

of the board of directors convened following the close of the annual shareholders meeting relating to the most recent financial year ending within one (1) year following their election.

Board of directors shall appoint representative executive officers who shall represent the stock company from among the executive officers.

(v) Accounting auditors

Accounting auditors shall audit the financial statements and the supplementary schedules thereof, the temporary financial statements as well as the consolidated financial statements of a stock company. The accounting auditor shall be elected at a shareholders meeting. The term of office of accounting auditor shall expire at the close of the annual shareholders meeting for the most recent financial year ending within one (1) year following their election.

(vi) Relationship between the company and the officers

There is a mandate relationship between the company and its officers (the directors, the accounting adviser, and statutory auditors). As such, directors and the other officers have a duty to act as good managers. Directors owe a fiduciary duty *vis-à-vis* the company: i.e., the duty to comply with the law, articles of incorporation, and the resolutions of the general shareholders' meeting, and loyally carry out their duties.

(vii) Conflict of interest

In the following cases, directors and executive officers must disclose all the material facts regarding the transactions to the board of directors and seek its approval:

- effecting a transaction within the area of business of the company for himself or for the benefit of a third party.
- effecting a transaction with the company for himself or for the benefit of a third party.
- effecting a transaction on behalf of the company with a third party in cases where there is a conflict of interests between the company and the director, such as in cases where the company guarantees the debt of the director to a lender.

Upon execution of the transaction, the director and executive officers executing the transaction shall also report promptly the material information regarding such transaction to the board of directors.

(h) Amendment of Articles of Incorporation

A company may amend its articles of incorporation by a special resolution of a shareholders' meeting except where a company (excluding a company that has issued two or more classes of shares) intends to increase the number of shares authorised to be issued by amending its articles of incorporation for the purpose of, and on the same date as, performing a stock split, in which case a board resolution would be sufficient.

(i) Inspection of corporate records

(i) Share register

Under the Companies Act, a Shareholder or creditor wishing to inspect the share register may request to do so in person at our Share Registrar's office during normal business hours. A printed copy of our share register may also be requested.

Our Share Registrar will require a Shareholder or creditor to complete a prescribed form setting out details of the Shareholder or creditor and the purpose of inspection. Our Share Registrar will then contact our Company and notify the Shareholder or creditor of the Company's decision within two business days and, if approved, our Share Registrar will notify the Shareholder or creditor of the date of the inspection. Other than applicable printing costs, no fee will be charged for the inspection.

The Companies Act allows our Company to refuse a request for inspection of our share register only under the following circumstances:

(i) where a request is made for a purpose other than in relation to securing or exercising rights as a Shareholder or creditor;

(ii) where a request is made for the purpose to interfere with our business operation or to damage the interests of Shareholders as a whole;

(iii) where the person making a request is carrying on, or is engaged in, a business substantially in competition with our business;

(iv) where a request is made to inform, in exchange for payment, a third party of any fact that could not have been obtained other than from inspection (including copying); and

(v) where a person making a request has informed, in exchange for payment, a third party of any fact that could not have been obtained other than from inspection (including copying) during the last two years.

Any person who is not a Shareholder or creditor of our Company (including national and prefectural governmental agencies) may also, to the extent allowed under the Personal Data Act, inspect and obtain a copy of our share register. As advised by our Japan Legal Adviser, the inspection of our share register is allowed under the Personal Data Act if:

(i) the inspection of share register is based on laws and regulations;

(ii) the inspection of share register is necessary for the protection of the life, body, or property of an individual and if it is difficult to obtain the consent of the person;

(iii) the inspection of share register is specially necessary for improving public health or promoting the sound growth of children and if it is difficult to obtain the consent of the person; or

(iv) the inspection of share register is necessary for cooperating with a state organ, a local government, or an individual or a business operator entrusted by one in executing the affairs prescribed by laws and regulations and if obtaining the consent of the person is likely to impede the execution of the affairs.

A CCASS Beneficial Owner is not recognised under the Companies Act as a legal Shareholder unless he withdraws the Share certificate from CCASS and re-registers himself as a Shareholder in our share register. Therefore, CCASS Beneficial Owners may only inspect our share register to the extent allowed under the Personal Data Act.

(ii) Accounting documents

Shareholders who are interested in 3% or more of the total voting rights in our Company are entitled to inspect and make a copy of the accounting documents by giving reasons. Our Company is not entitled to refuse the request unless (i) the Shareholder makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights; (ii) the Shareholder makes this request to obstruct our Company from executing its business and to harm the interests of the Shareholders as a whole; (iii) the Shareholder is in a business substantially in competition with our Company, or is involved in the business of our Company; (iv) the Shareholder makes the request in order to report facts which he/she learns by inspecting or copying the account books or materials relating thereto to third parties for profit; or (v) the Shareholder is a person who has reported facts which he/she has come to learn by inspecting or copying the account books or materials relating thereto to third parties for profit during the last two years.

(iii) Commercial register

A stock company is required to register certain matters with the relevant authorities in Japan such as (i) the purposes, (ii) trade name, (iii) location, (iv) share capital, (v) total number of shares to be issued, (vi) details of shares, (vii) number of share unit (if any), (viii) total number of issued shares, (ix) name, address and business office of the administrator of the share register (if any), (x) matters regarding share acquisition rights, (xi) names of directors, (xii) names and addresses of representative directors, (xiii) if the company is a company with a board of directors, a company with accounting auditors, a company with statutory auditors, and/or a company with a board of statutory auditors, a statement to that effect, (xiv) if there are provisions in the articles of incorporation with regard to exemptions from liability of directors, accounting advisers, statutory auditors, executive officers or accounting auditors, such provisions of the articles of incorporation, (xv) if there are provisions in the articles of incorporation with regard to the agreements for the limitation of liabilities assumed by outside directors, accounting advisers, outside statutory auditors or accounting auditors, such provisions of the articles of incorporation, (xvi) URL for disclosure of certain information to be included in financial statements, and (xvii) matters regarding public notice. In addition to the above, certain corporate actions such as mergers and corporate splits are also registered.

For (xv) above, accounting advisers (*kaikeisanyo* 会計参与) of a company shall prepare, jointly with the directors, financial statements and the supplementary schedules thereof, extraordinary financial statements and consolidated financial statements of such company. Our Company may or may not appoint an accounting

adviser under the Companies Act. Accounting auditors (*kaikeikansanin* 会計監査人), on the contrary, are external certified public accountants who shall audit the financial statements and the supplementary schedules thereof, extraordinary financial statements and consolidated financial statements prepared by the directors (with or without the assistance of accounting advisors). Our Company, as a company with Three Committees, must appoint an accounting auditor under the Companies Act.

Our Company is a company with Three Committees (as opposed to a company with statutory auditors). Therefore, the position of statutory auditors (*kansayaku* 監査役) is not applicable to our Company.

Anyone may inspect the commercial register at the legal affairs bureau having jurisdiction over a company.

(j) Winding up

(i) Dissolving

Under the Companies Act, our Company may dissolve itself by a special resolution of the Shareholders. Upon dissolution of our Company, our Director(s) will cease to serve in such directorial capacity and our former Director(s) (excluding Directors who are members of the audit committee) will become the liquidator(s) of our Company by default, unless otherwise provided for in our Articles of Incorporation or determined by a Shareholders' resolution.

After our Company is dissolved, we would continue to exist as a corporate entity. However, our sole purpose will be to liquidate itself. In other words, our Company, if dissolved, would not be able to operate our business in the same manner as we currently do prior to the dissolution.

(ii) Liquidation

Once our Company is dissolved, it would then proceed to liquidate itself. Liquidation is a procedure for our Company to wind-up its affairs and eventually cease to be a corporate entity. During this process, liquidators would act as representatives of our Company. Our Company may pass a resolution for dissolution by special resolution of the Shareholders.

Under our Articles of Incorporation, for any transaction between our Company and any party, any action by our Company, or any matter, in each case, that is required to be subject a resolution at a Shareholders' meeting under the Listing Rules or Takeovers Code, as the case may be, such transaction, action or matter shall not be taken to have passed unless the quorum and resolution ratio requirements prescribed under both the Companies and the Listing Rules or Takeovers Code (as the case may be) are satisfied. Therefore, if a higher threshold is applicable for dissolution under the Listing Rules or the Takeovers Code (as the case may be) from time to time, such higher threshold shall apply.

(k) Indemnification

If the officers (the directors, the executive officers and the accounting auditors) of a company shall be liable to such company for damages arising as a result of negligence of their duties, there are some indemnity provisions applicable to them under the Companies

Act. An exemption from liability may be given with the consent of all Shareholders; or a partial exemption from liability may be given by a board resolution if the relevant officers acted without knowledge and was not grossly negligent in performing his/her duties by a provision of the Articles of Incorporation.

(I) Accounting and auditing requirements

Under the Companies Act, our Company must prepare accurate account books in a timely manner pursuant to the applicable ordinance of the Ministry of Justice, and shall retain its account books and important materials regarding its business for ten years from the time of the closing of the relevant account books. In general, Shareholders having not less than 3% of the total voting rights in our Company (excluding Shareholders who may not exercise their votes on any matter that may be resolved at a Shareholders' meeting), or Shareholders holding not less than 3% of the issued share capital (excluding treasury Shares), may make a request to inspect or copy such documents at any time during the business hours of our Company, disclosing the reasons for such request. If it is necessary for the purpose of exercising the rights of a shareholder of the parent company of our Company, he/she may, with the permission of the court, make the request for inspection or copying of such accounting books or materials, disclosing the reasons for such request. If such request is made, our Company may not refuse the request except as set forth in the Companies Act.

Under the Companies Act, an Executive Officer designated by our Board of Directors will prepare financial statements (meaning balance sheets, profit and loss statements and statement of changes in net assets and notes to specific items) and business reports for each financial year and supplementary schedules thereof, pursuant to the applicable ordinance of the Ministry of Justice. The financial statements and supplementary schedule thereof must be audited by the accounting auditor in accordance with JGAAP and by the audit committee of the Company.

The financial statements, business reports and supplementary schedules thereof prepared in accordance with JGAAP must then be approved by our Board of Directors. Once approved by our Board of Directors, our Company would despatch such financial statements and business reports to all registered Shareholders entitled to receive the convocation notices of Shareholders' meetings of our Company along with the convocation notice of an annual Shareholders meeting at which statements are presented for reporting by the Chief Executive Officer of our Company or, in the limited instances set forth below, for the approval of Shareholders. Under our Articles of Incorporation, the notice of annual Shareholders' meetings must be sent to each Shareholder along with the financial statements not less than 21 days before the date of such Shareholders' meetings. Under the Companies Act, annual Shareholders' meetings must be held annually and within three months following the financial year end of our Company.

Our Company will also separately despatch an annual report incorporating financial statements (or a summary financial report) prepared in accordance with IFRS within four months of the financial year end of our Company to Shareholders and hold a separate Shareholders meeting as required under the Listing Rules (i) within six months of the Company's financial year end and (ii) at least 21 days after such annual report is delivered to Shareholders. In any given year, if our Company is able to despatch its annual report incorporating financial statements (or a summary financial report) prepared in accordance with IFRS to Shareholders along with the convocation notice of the annual Shareholders'

meeting required under the Companies Act, our Company may choose to hold a single annual Shareholders' meeting that fulfills both the requirements under the Companies Act and the Listing Rules described above.

In cases where the financial statements prepared in accordance with JGAAP having been approved by the Board satisfy the requirements prescribed by the ordinance of the Ministry of Justice as statements that accurately indicated the status of the assets and profits and losses of the Company in compliance with the Companies Act and our Articles of Incorporation, our Chief Executive Officer must report the contents of such financial statements to our Shareholders at the annual Shareholders' meeting. This reporting requirement will be satisfied (and approval of the Shareholders will not be required) provided that the following requirements provided in the applicable ordinance of the Ministry of Justice are met:

(1) the audit report prepared by the accounting auditor includes an unqualified opinion that the financial statements appropriately reflects in all material respects the assets and liabilities and the profit and loss of the Company in accordance with JGAAP;

(2) the audit report prepared by audit committee does not express the opinion that the method and result of the audit carried out by the accounting auditor is inappropriate;

(3) there is no dissenting opinion submitted to the audit committee that the method and result of the audit carried out by the accounting auditor is inappropriate;

(4) the audit report prepared by the audit committee has been delivered to (x) the relevant Director designated to receive such report or, if no such designation has been made, the Director overseeing the preparation of the financial statements (the "Designated Director"), and the accounting auditor, prior to the later of:

    (i) one week after delivery of the audit report prepared by the accounting auditor to the audit committee, which shall be delivered on the later of the following dates:

        (a) four weeks after the accounting auditor receives the financial statements from our Company;

        (b) one week after the accounting auditor receives attachments (*fuzoku meisaisho* 附属明細書) to the financial statements; or

        (c) a date separately agreed upon by the Designated Director, and the accounting auditor as the deadline for the report of the audit report by the accounting auditor. If the accounting auditor fails to deliver the audit report on the dates set forth above, within one week of delivery of the audit report prepared by the accounting auditor;

    (ii) a date separately agreed upon by the Designated Director and the audit committee as the deadline for delivery of the audit report by the audit committee.

After the conclusion of the Shareholders' meeting convened in connection with the JGAAP financials, the Company must either, pursuant to the applicable ordinance of Ministry of Justice, (i) provide public notice of our balance sheet and profit and loss statements prepared in accordance with JGAAP of the Company or the digest thereof; or (ii) disclose the balance sheet and profit and loss statements prepared in accordance with JGAAP of our Company on the internet for a period of five years. If the financial statements prepared in accordance with JGAAP fail to meet the requirements of the applicable ordinance of the Ministry of Justice, Shareholders' approval of such financials will be required to finalise them. If such Shareholders' approval cannot be obtained, in order to finalise the JGAAP financial statements, our Board of Directors may revise such financial statements so that they meet the requirements of the applicable ordinance of the Ministry of Justice, in which case Shareholders' approval will no longer be necessary. Alternatively, our Board of Directors may convene another Shareholders' meeting to obtain Shareholders' approval after amending the JGAAP financial statements in the event such amended financial statements still fail to meet the requirements of the applicable Ordinance of the Ministry of Justice. Since the requirement to present financial statements in accordance with JGAAP and financial statements in accordance with IFRS are independent of one another, in the event that Shareholders' approval is required in connection with the JGAAP financial statements and our Company is unable to obtain such approval, the presentation of the financial statements in accordance with IFRS to Shareholders will not be affected. With regard to financial statements prepared in accordance with IFRS, although it may do so voluntarily, our Company is not required under the applicable ordinance of the Ministry of Justice and the Companies Act to obtain Shareholders' approval of such financial statements at a Shareholders' meeting. Our Company, in practice, will seek to obtain Shareholders' approval of the IFRS financial statements at a Shareholders' meeting, and if our Company is unable to obtain such Shareholders' approval, our Company will revise our IFRS financials and convene another Shareholders' meeting as soon as practicable to obtain Shareholders' approval of the amended IFRS financials.

Our Company will procure our accounting auditors to prepare reconciliation between our financial statements under JGAAP and IFRS for each of our financial years upon the Listing and despatch such reconciliation documents to our Shareholders together with our annual report.

(m) Share transfers and share exchanges

A share transfer (*kabushiki iten* 株式移転) is a transaction whereby one or more companies create a new company and transfer all of their outstanding shares to that new company (i.e., creation of a newly incorporated company as their 100% parent) in return for shares, bonds, share acquisition rights, bonds with share acquisition rights or other assets of the new company.

A share exchange (*kabushiki kokan* 株式交換) is a transaction whereby a stock company (*kabushiki-gaisha* 株式会社) transfers all of its outstanding shares to an existing stock company or a limited liability company (*godo-gaisha* 合同会社) (i.e., conversion of an existing stock company to a wholly-owned subsidiary of another existing stock company (*kabushiki-gaisha* 株式会社) or limited liability company (*godo-gaisha* 合同会社)) in return for shares, bonds, share acquisition rights, bonds with share acquisition rights or other assets of the company that will become a new parent of such stock company.

Our Company must seek a special resolution from the Shareholders if it conducts a share exchange unless:

(1) our Company is the squeezing entity (meaning an entity that intends to acquire the entire issued share capital of the target entity through the share exchange) in relation to the share exchange and the consideration to be paid to the shareholder of the counterparty (target entity) is 20% or less of the net assets of our Company;

(2) our company has 90% or more of the outstanding Shares of the counterparty; or

(3) the counterparty has 90% or more of the outstanding Shares of our Company.

Our Company must seek a special resolution from the Shareholders if we conduct a share transfer.

Japanese law requires that certain general information is included in a convocation notice for an extraordinary Shareholders' meeting, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the extraordinary Shareholders' meeting; (ii) the place of the extraordinary Shareholders' meeting and (iii) a list of matters to be resolved at the extraordinary Shareholders' meeting.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to obtaining consent for share exchange contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed share exchange; (ii) the terms and conditions of the share exchange contract; (iii) the appropriateness of the consideration to be paid or received, (iv) the counterparty's financial documents (balance sheet/profit and loss statement/business report/auditor's report) of the latest financial year; and (v) the counterparty's material subsequent events after the end of the latest financial year.

Further, in addition to the general content requirements for convocation notices noted above, for convocation notices which relate to obtaining consent for share transfer plans, the convocation notice must also include the following key content requirements: (i) the reason for the proposed share transfer plan; (ii) the terms and conditions of the share transfer; (iii) our Company's financial documents (balance sheet/profit and loss statement/ business report/auditor's report) of the latest financial year; (iv) our Company's material subsequent events after the end of the latest financial year; and (v) our Articles of Incorporation.

3. SUMMARY OF MAIN JAPAN TAX ASPECTS RELEVANT TO THE SHAREHOLDERS OF THE COMPANY

The following is a summary of certain material Japan tax consequences for the Shareholders relating to the holding of and disposing of the Shares. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase the Shares or with regard to the taxation of our Company. Prospective purchasers should consult their own tax advisers as to the possible tax consequences of the purchase and ownership of the Shares based on their particular circumstances. No conclusion should be drawn with respect to issues not specifically addressed by this summary. The following description of Japanese law is based upon the Japanese law and regulations in effect and as interpreted by the National Tax Agency of Japan as at the date of this Prospectus and is subject

to any amendments to the relevant laws (or their interpretation) later introduced, whether or not on a retroactive basis. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors should therefore consult their own advisers as to the effect of any local laws, including Japanese tax law, to which they may be subject.

It is emphasised that none of our Company, our Directors, or other parties involved in the Global Offering can accept responsibility for any impact on the tax liabilities of, Shareholders resulting from their subscription for, purchase, holding or disposal of or otherwise dealing in our Shares or exercising any rights attaching to them.

(a) Stamp duty

(i) Japanese stamp duty

Share transfers do not attract stamp duty in Japan. However, issue of a new Share Certificate in Japan would be subject to Japanese stamp duty (*inshizei* 印紙税) ranging from ¥200 to ¥20,000. Upon the Listing, all Share certificates of our Company will be issued by the Share Registrar in Hong Kong. Accordingly, no Japanese stamp duty is, in principle, payable for our new Share certificates.

(ii) Hong Kong stamp duty

Our Shares are considered as "*Hong Kong stock*" for the purpose of the Stamp Duty Ordinance. Dealings in the Shares in our Company, which are required to be registered in our share register through the Share Registrar in Hong Kong, are subject to Hong Kong stamp duty.

(b) Japanese withholding tax on dividend payments

See "Material Shareholders' Matters under Japanese Law — Dividends — Japanese withholding tax for dividend payments" in this Prospectus above.

(c) Capital gains tax

Japanese capital gains tax

As a general rule, gains derived from the sale outside Japan of our Shares by non-resident Shareholders or corporate Shareholders established outside Japan who have neither a permanent establishment in Japan nor a permanent representative in Japan to which the Shares are attributable are generally not liable to any Japanese income or corporate taxes, except for (i) any Shareholder who is interested in 25% or more in our Company's entire issued Shares at any time during the taxable year of sale or during two preceding years; and (ii) any Shareholder who transfers 5% or more of the issued Shares of our Company in the taxable year of sale.

The above taxation is subject to the application of relevant double tax treaties and, based on the provisions of the Hong Kong-Japan Tax Treaty, capital gains realised by a Shareholder, who is a resident or corporation in Hong Kong, will not be taxable under Japanese capital gains tax (even if such Shareholder is interested 25% or more in our Company's entire issued Shares at any time during the taxable year of sale or during two preceding years, and transfers 5% or more of the issued Shares of our Company in the taxable year of sale). The absence of capital gains taxation in

Japan is not subject to any specific formalities and our Shareholders who are residents or corporations in Hong Kong are therefore not required to take any action in order to enjoy this exemption.

Our Tax Adviser has confirmed that, in respect of Shares deposited into CCASS, only capital gains realised by the CCASS Beneficial Owners are taxable under Japanese law. Neither HKSCC Nominees nor the CCASS Participants are subject to any Japanese capital gains tax reporting or payment obligation directly arising from dealing in our Shares on behalf of the CCASS Beneficial Owners (even if a CCASS Beneficial Owner is interested 25% or more in our Company's entire issued Shares at any time during the taxable year of sale or during two preceding years, and transfers 5% or more of the issued Shares of our Company in the taxable year of sale).

Individual Shareholders

Individual Shareholders who are residents in Japan who effect their dealings in our Shares through a recognised financial instruments business operator (*kinyuushouhintorihikigyousha tou* 金融商品取引業者等) are subject to capital gains tax in Japan at the following rates:

	Individual Shareholders
For the year ending 31 December 2012	10%
For the year ending 31 December 2013	10.147%
For the years ending 31 December 2037	20.315%
For the year ending 31 December 2038 and thereafter	20%

Individual Shareholders who are residents in Japan who do not effect their dealings in the Shares through a recognised financial instruments business operators (*kinyuushouhintorihikigyousha tou* 金融商品取引業者等) are generally subject to capital gains tax in Japan at around 20%.

Corporate Shareholders

Corporate Shareholders established in Japan are subject to capital gains tax in Japan at the following rate:

	Corporate Shareholders
For the financial year commencing before 1 April 2012 *(note)*	Approximately 40.7%
For the three financial years commencing on or after 1 April 2012 *(note)*	Approximately 38%
For the financial years thereafter *(note)*	Approximately 36%

Note: On the assumption that each financial year runs for a period of 12 months for the corporate Shareholders.

Hong Kong capital gains tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by a person carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be subject to Hong Kong profits tax.

Currently, profits tax in Hong Kong is imposed on corporations at the rate of 16.5% and on unincorporated business at a maximum of 15.0%. Gains from the sale of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from the sale of our Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealings in securities in Hong Kong.

Investors are advised to consult their own advisers as to the effect of any local laws, including Japanese tax law, to which they may be on capital gains derived from the sale of our Shares.

(d) Inheritance and gift tax

Japanese inheritance tax and gift tax at progressive rates may be payable by an individual who has acquired ordinary shares of our Company as a legatee, heir or donee even though neither the acquiring individual nor the deceased nor donor is a Japanese resident.

(e) General

Murayama CPA Office, our Tax Adviser, has advised the Company in writing as to certain material aspects of Japan taxation matters which may affect our Shareholders. The letter of advice is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI.

4. FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN

Although our Shares are not listed on a securities exchange in Japan or traded through the over-the-counter market in Japan, under Japanese law, if the Company (i) has at least 1,000 registered Shareholders as at the end of any fiscal year or (ii) files a securities registration statement pursuant to the Financial Instruments and Exchange Law of Japan (the "FIEL") in relation to a public offering (*boshu* 募集) or a secondary offering (*uridashi* 売出) of Shares in Japan, the ongoing disclosure requirements (mainly, periodic filing requirements, including the requirement to file an annual report, and filing of a current report (*rinji houkokusho* 臨時報告書) whenever any unscheduled material event occurs that may be important to Shareholders) and tender offer (*kokai kaitsuke* 公開買付) rules under the FIEL will generally be applicable to the Company and/or its Shareholders.

5. GENERAL

Soga Law Office, our Japan Legal Adviser, has advised to our Company in writing as to relevant aspects of the Companies Act. The legal opinions from our Japan Legal Adviser in respect of our general matters, property interests in Japan, Articles of Incorporation, and certain aspects of the Company Act, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI of this Prospectus. Any person who wants to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction which such person believes may be applicable to them should seek independent legal advice.