

COMPANY INFORMATION SHEET

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Company Name (stock code): SBI Holdings, Inc. (6488)

Stock Short Name: SBI HLDGS-DRS

This information sheet is provided for the purpose of giving information to the public about SBI Holdings, Inc. as at the date specified. The information does not purport to be a complete summary of information about the Company and/or its securities.

Responsibility statement

The Director and Chief Financial Officer and Executive Officer of legal department of the Company as at the date hereof hereby collectively and individually accept full responsibility for the accuracy of the information contained in this information sheet and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief the information contained in this information sheet is accurate and complete in all material respects and not misleading or deceptive and that there are no other matters the omission of which would make any information inaccurate or misleading herein.

The Director and Chief Financial Officer and Executive Officer of legal department also collectively and individually undertake to publish on a yearly basis, when the Company publishes its annual report, this information sheet reflecting, if applicable, the changes to the information since the last publication.

Summary Content

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Latest version	27/06/2013
B. Foreign Laws and Regulations	
Latest version	27/06/2013
C. Constitutional Documents	
Latest version	28/06/2012
D. Deposit Agreement	
Latest version	30/03/2011
E. Deed Poll	
Latest version	30/03/2011

Date of this information sheet: 27 June 2013

A. WAIVERS AND VOLUNTARY MEASURES

The following waivers and exemptions have been applied for and granted by the Hong Kong Stock Exchange and/or the Securities and Futures Commission (the "SFC"). Further, we have adopted certain voluntary measures, as set out below, in order to provide equivalent protections to Shareholders and HDR Holders. Unless the context requires otherwise, capitalised terms shall have the meanings given to them in the Company's prospectus ("Prospectus") issued on 31 March 2011 and references to sections of the Prospectus shall be construed accordingly.

WAIVERS

We have been granted full or partial waivers (or modifications) and exemptions by the Hong Kong Stock Exchange or the SFC, as appropriate, from the rules summarised in the table below.

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<u>Relevant Rule to be waived</u>	<u>Subject mater of the Rule</u>	<u>Page No.</u>
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MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Currently, none of our executive Directors reside in Hong Kong. Since our main operations are in Japan, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange:

- (a) We have appointed one authorised representative pursuant to Rules 2.11, 3.05 and 19.36(6) of the Listing Rules, who will act as the Group's principal channel of communication with the Hong Kong Stock Exchange. The authorised representative is Mr. Kenji Hirai. Mr. Hirai was formerly an executive director and executive officer of the Company and his biography can be found at the section entitled "Directors and Senior Management — Executive Directors" in the Prospectus. Mr. Hirai retired as an executive director on June 28, 2012 and was appointed an authorised representative of the Company with effect from 7 February 2013. He has confirmed that he will be able to meet with the Hong Kong Stock Exchange within a reasonable time frame upon their request, if required. He will be readily contactable by telephone, facsimile and email, and is authorised to communicate on behalf of the Company with the Hong Kong Stock Exchange.
- (b) The authorised representative has means of contacting our Directors and Executive Officers promptly at all times and as and when the Hong Kong Stock Exchange wishes to contact our Directors and Executive Officers on any matters. To enhance communication between the Hong Kong Stock Exchange, the authorized representative, our Directors and the Company, we have implemented a policy whereby: (i) each Director will have to provide his/her office phone number, facsimile number and email address to the authorised representative; and (ii) in the event that a Director expects to travel or be out of the office, he/she will have to provide the phone number of the place of his/her accommodation to the authorised representative. Further, for convenience of communication, each Director has provided his/her means of contact to the Hong Kong

Stock Exchange.

- (c) All of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange in Hong Kong, within a reasonable period, upon the request of the Hong Kong Stock Exchange.

DEALING IN SHARES PRIOR TO LISTING

Under Rule 9.09 of the Listing Rules, from four clear Business Days before the expected hearing date until listing, there must be no dealing in the securities for which listing is sought by any connected person of the listing applicant. The Company has applied for, and the Hong Kong Stock Exchange has granted the Company, a waiver from Rule 9.09 in respect of any dealings by connected persons of the Company.

Given that the listing on the Hong Kong Stock Exchange has already occurred, this waiver is no longer applicable.

ISSUE OF SECURITIES WITHIN SIX MONTHS OF LISTING

Having regard to the fact that we are a financial conglomerate and the Group is subject to regulatory requirements for capital adequacy and liquidity and solvency, it is important for us to maintain flexibility in fundraising through the issue of securities. Further, we need to protect our ability to fund acquisitions as and when they arise in order to organically develop our existing businesses. We have therefore applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the restrictions on further issues of securities within 6 months from the Listing Date, as required by Rule 10.08 of the Listing Rules. The Company has undertaken to the Hong Kong Stock Exchange that any issuance of HDRs and Shares of the Company within six months of the Listing Date will either be for cash (i) to fund a specific acquisition or as part or full consideration for an acquisition of assets or business that would contribute to the growth, development and furtherance of the business of our Company; or (ii) to fund the Group for capital adequacy purposes.

CORPORATE COMMUNICATIONS

Rule 2.07A of the Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have

resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

We do not currently produce or send out any corporate communications to our Shareholders (with the exception of convocation notices of Shareholders' meetings) in printed form. In accordance with the Articles, the Companies Act and the regulatory requirements of the TSE and the OSE, the Company may use electronic means for the issue of all Japanese corporate communications with certain limited exceptions.

As at 30 September 2010, we had more than 198,000 registered Shareholders with registered addresses in a number of countries worldwide and our proportion of overseas investors represented approximately 45.5% of our Shareholder base. Given our diverse Shareholder base and the number of countries in which our Shareholders are located, it would not be practicable for us to send printed copies of all our corporate communications (with the exception of convocation notices for Shareholders' meetings) to all of our Shareholders. Further, it would also not be practicable for us to approach our existing Shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

With effect from the listing of the HDRs on the Hong Kong Stock Exchange, we will issue all future corporate communications (with the exception of convocation notices of Shareholders' meetings) on our own website in Japanese, English and Chinese and on the Hong Kong Stock Exchange's website in English and Chinese. We will continue to provide printed copies of our convocation notices of Shareholders' meetings (including a proxy form and copies of the business report and financial statements) to our Shareholders and we will provide HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS) with printed copies of all convocation notices and proxy forms (accompanied by a reference in the convocation notice to a URL link providing access to the full convocation notice of Shareholders' meeting, including the business report and financial statements) in English and Chinese.

We will provide HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS) with the option to request electronic copies of our corporate communications in English or Chinese, to be sent to such person by e-mail at an e-mail address to be provided by them to us as soon as practicable after such reports, press releases or notices have been published.

We will also publish a notice on the front page of our website whenever new corporate communications are issued notifying our Shareholders and HDR Holders. On the basis of the above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 2.07A of the Listing Rules.

NOTIFIABLE AND CONNECTED TRANSACTIONS

As we are incorporated in Japan and are listed on the TSE and the OSE, we are subject to a number of continuing obligations concerning transactions involving acquisitions and disposals of assets and Related Party Transactions which are similar, but not equivalent to the shareholder protections under Chapter 14 (*Notifiable Transactions*) and Chapter 14A (*Connected Transactions*) of the Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from the operation of certain listing rules contained in Chapters 14 and 14A of the Listing Rules, subject to the Company undertaking to provide the Shareholders and HDR Holders of the Company with certain additional voluntary protections that are commensurate with those provided by Chapter 14 and Chapter 14A of the Listing Rules, as are set out below.

We are justified in seeking a waiver from Chapters 14 and 14A of the Listing Rules as, under the Companies Act, a Shareholders' meeting of the Company may only be called to resolve matters provided in the Companies Act or our Articles. Accordingly, we are not able to seek the binding approval of our Shareholders under Chapter 14 and Chapter 14A of the Listing Rules, without amending our Articles and there would be no certainty that a resolution to approve the adoption of the relevant rules would be approved, or, if approved, that the amendments to the Articles would be retained in the future. Shareholders' meetings outside of the annual general meeting are infrequently held by Japanese companies as they normally take two to three months to organise and, for a company of our size, the costs of organising such a meeting can amount to as much as ¥125 million. The two most significant costs are the fees paid to the transfer agent and the costs related to confirming the list of Shareholders who are entitled to vote at the Shareholders' meeting. Neither of these are issues relevant to Hong Kong incorporated issuers as their shareholder registers are open and under the control of the relevant company's registrar. However, the share registers of Japanese companies are closed and maintained by the relevant company's transfer agent. Further, the quorum requirement to pass a special resolution at a shareholders' meetings is shareholders holding one-third (1/3) of the outstanding shares of the company who are entitled to exercise their voting rights. Given that we have more than 198,000 Shareholders located both in Japan and overseas, procuring the relevant quorum is challenging for us to achieve regularly.

Notifiable Transactions

General

The Company has applied for, and the Stock Exchange has granted us, a waiver from strict compliance with:

- (a) Rules 14.33 (to the extent appropriate), 14.33A, 14.33B, 14.40, 14.49, 14.55, 14.60A to 14.62, 14.71A, 14.76 and 14.87 of the Listing Rules, which relate to the shareholder approval requirements contained in Chapter 14 of the Listing Rules (the "**Approval Rules**");
- (b) Rules 14.44 to 14.45, 14.48 to 14.49, 14.51 to 14.53, 14.55 and 14.66 to 14.71 (with the exception of Rules 14.63 and 14.66 to 14.69 in respect of a Reverse Takeover (as defined in the Listing Rules)) of the Listing Rules, which relate to the content requirements of certain shareholder communications contained in Chapter 14 of the Listing Rules; and
- (c) Rules 14.42 to 14.43 and 14.78 to 14.81 of the Listing Rules in respect of certain requirements relating to shareholder meeting notices and takeovers and mergers.

We are justified in seeking a waiver from the Approval Rules on account of the fact that the existence of certain equivalent shareholder protections in Japan and certain voluntary measures to be introduced by ourselves, each as are set out below, provide a commensurate level of protection to shareholders as is contained in Chapter 14 of the Listing Rules. Further, we are justified in seeking a waiver from those other provisions of Chapter 14 of the Listing Rules which are mentioned above for certain other reasons that are set out below.

Equivalent Shareholder Protections

We will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected pursuant to certain statutory methods prescribed by the Companies Act. These include Statutory Transactions that are undertaken by the Company. In the event that we undertake an acquisition using one of these Statutory Transactions, which are described in more detail in "Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (i) M&A (Mergers, corporate split, share exchange, share transfer, business transfer and business assumption)" in the Prospectus, we must obtain Shareholders' approval by way of a special resolution (which will be passed if (1) Shareholders having one-third or more of outstanding Shares of the Company vote at the Shareholders' meeting; and (2) two thirds or more voting Shareholders approve the transaction with certain limited exceptions).

In the event that we undertake a Statutory Transaction, we are required to submit an extraordinary report setting out the details of the relevant transaction to the DGLFB without delay. Additionally, a Statutory Transaction must be publicly announced immediately under the TSE and the

OSE Listing Regulations and would be announceable in Hong Kong, in accordance with Rule 13.09 of the Listing Rules. In addition to these disclosure requirements, the Company will ensure that the relevant transaction announcement additionally includes the contents requirements set out in Rules 14.58 to 14.60 of the Listing Rules, as well as all of the relevant information required under Japanese law.

If we enter into a Statutory Transaction, we will send the convocation notice in respect of the Shareholders' meeting at least 14 days in advance of the Shareholders' meeting, which will include certain information concerning the contemplated transactions including, among other things, general terms and conditions, reasons for the parties' engagement in the transaction and the fairness of the consideration to be paid or received pursuant to the transaction. Certain general information is required to be included in a convocation notice for a shareholders' meeting for a Statutory Transaction, including (i) the date of the shareholders' meeting; (ii) the place of the shareholders' meeting; and (iii) a list of matters to be resolved at the shareholders' meeting. In addition, under the Companies Act and certain secondary legislation, the issues that must be included in convocation notice for each type of Statutory Transaction are as follows:

(a) Merger

- reasons for the proposed merger;
- terms and conditions of the merger contract;
- appropriateness of consideration to be paid / received;
- counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year; and
- material changes affecting the counterparty since the end of the latest financial year

(b) Corporate Split

- reasons for the proposed corporate split;
- terms and conditions of the corporate split contract;
- appropriateness of consideration to be paid / received;
- counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year;
- material changes affecting the counterparty since the end of the latest financial year; and
- details of the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.

(c) Share Exchange

- reasons for the proposed share exchange;
- terms and conditions of the share exchange contract;
- appropriateness of consideration to be paid / received;
- counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year; and
- material changes affecting the counterparty since the end of the latest financial year.

- (d) Share Transfer
- reasons for the proposed share transfer;
 - terms and conditions of the share transfer contract;
 - counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year;
 - material changes affecting the counterparty since the end of the latest financial year; and
 - details of the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.
- (e) Business Transfer
- reasons for the proposed business transfer;
 - terms and conditions of the business transfer contract; and
 - appropriateness of consideration to be paid / received.
- (f) Business Assumption
- reasons for the proposed business assumption;
 - terms and conditions of the business assumption contract; and
 - appropriateness of consideration to be paid / received.

Voluntary Measures

As noted above, we are not permitted to seek the approval of our Shareholders to any transactions other than those prescribed in the Companies Act, the Articles or other applicable Japanese laws or regulations. In order to provide equivalent Shareholder protections to those provided by Chapter 14 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange as follows:

- (a) if we enter into any transaction (other than a Statutory Transaction) involving an issue of Shares or HDRs (or a transfer of any Treasury Shares held by the Company) as consideration for acquisition of assets that are valued at greater than 25% of the total assets of the Group, we will voluntarily refer the transaction to our Shareholders for non-binding approval in a Shareholders' meeting (which will be deemed to have been passed if (1) Shareholders holding one-third or more of the outstanding Shares of the Company vote at the shareholders' meeting; and (2) two-thirds or more Shareholders approve the transaction) and the Board has undertaken to the Hong Kong Stock Exchange to adhere to the resolution of the shareholders on the transaction voluntarily referred to them at the Shareholders' meeting. This voluntary measure will not require us to seek Shareholders' approval if we raise funds by way of an issue of Shares to finance an acquisition. The relevant meeting notice periods, shareholder communications and voting requirements for any such voluntary Shareholders' meeting will be in compliance with those provided by the Companies Act and the Listing Rules (as noted above); and

- (b) the following transactions will be announced by us publicly in Hong Kong and Japan:
 - (i) any acquisition of assets (excluding cash) by the Company where the consideration includes securities for which listing will be sought and where all percentage ratios (as defined in the Listing Rules) are less than 5%; and
 - (ii) a transaction or series of transactions (aggregated under Rules 14.22 to 14.23 of the Listing Rules) by the Company where any percentage ratio (as defined in the Listing Rules) is 5% or more.

Any such announcement would be made on the Hong Kong Stock Exchange, the TSE and the OSE immediately (in accordance with the TSE and the OSE Listing Regulations, which require announcements to be made immediately within the next business hour of the occurrence of the relevant event or, where the relevant event occurs outside business hours, on the first business hour of the next Business Day). Further, the relevant announcement would contain the contents requirements set out in Rules 14.58 to 14.60 of the Listing Rules, in addition to any required disclosure under Japanese law.

In order to demonstrate the practical equivalence of our voluntary proposal, we entered into a total of sixteen major transactions during the financial years ending 31 March 2008, 2009 and 2010, as noted in the “Business” section of the Prospectus. With the exception of the acquisition of SBI SECURITIES, which was acquired by way of a share exchange in 2008 (see “Business —Brokerage and Investment Banking” for more information) of the Prospectus which required Shareholders’ approval as it constituted a Statutory Transaction, none of these transactions constituted Major Transactions (as defined in the Listing Rules). The disposals of Etrade Korea Co. Ltd and Zephyr Co. Ltd in 2008, as well as the acquisition of SBI Life Living Co. Ltd in 2009 were the only other transactions in that period that would have been subject to Chapter 14 of the Listing Rules, as they would have been classed as Discloseable Transactions (as defined in the Listing Rules), and pursuant to the voluntary measures that we will implement, they would have been equally discloseable by us after Listing. Please see the “Business” section of the Prospectus for more information.

Further Waivers from Chapter 14

We have applied for, and the Hong Kong Stock Exchange has granted us, further waivers from certain of the shareholder communications requirements contained in Chapter 14 of the Listing Rules. In particular, we have been granted a waiver from (i) Rule 14.42, which provides that listed issuers must despatch any revised or supplementary circular and/ or any material information that has come to the attention of the directors after the issue of circular (by way of announcement) on the transaction to be considered at a Shareholders meeting not less than 10 Business Days before the date of the relevant Shareholders meeting; and (ii) Rule 14.43, which provides that if such a document is circulated within 10 days of the shareholders’ meeting, the relevant meeting must be adjourned before considering the relevant resolution to ensure compliance with the 10 Business Day requirement under Rule 14.42. We have been granted this waiver as, under Japanese law, we may make amendments to our convocation

notice (and the accompanying reference documents), which will be posted on our website, from the date of their despatch (which must be 14 days prior to the relevant Shareholders' meeting) until one day prior to the relevant shareholders' meeting. In the event that any revised or supplementary circular is issued and/ or any material information comes to the attention of the Directors prior to a shareholders' meeting we will make an announcement in Hong Kong in English and Chinese.

Further, we have been granted a waiver by the Hong Kong Stock Exchange from compliance with the circular contents requirements contained in Chapter 14 of the Listing Rules. Given that Statutory Transactions and Non-Statutory Transactions are Japanese law governed procedures, it would be inappropriate, onerous and burdensome for us to adopt these rules. Instead, we will issue Shareholder communications in accordance with Japanese law for any Statutory Transactions and Non-Statutory Transactions. The relevant content requirements for such transactions are set out in more detail in "Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (i) M&A (Mergers, corporate split, share exchange, share transfer business transfer and business assumption)" in the Prospectus.

We have also applied to the Hong Kong Stock Exchange for, and been granted, a further waiver from Rules 14.78 to 14.81 of the Listing Rules in respect of takeovers and mergers, as we have applied for, and been granted, a waiver from the Code on Takeovers and Mergers and Share Repurchases (for more information see "Waivers and Voluntary Measures — Not a Public Company in Hong Kong" in the Prospectus).

Conditions

As a condition to the grant of this waiver, we have voluntarily undertaken to:

- (a) inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of substantial change being made to the applicable Japanese laws and regulations noted above;
- (b) include a detailed summary of the applicable provisions of Japanese law noted above and the impact of the waiver on the Hong Kong investing public; and
- (c) disclose in the Prospectus the grant of this waiver, setting out all relevant details including the circumstances and the conditions imposed including, without limitation, full details of the applicable Japanese laws and regulations.

For further information on the Statutory Transactions, please see "Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (i) M&A (Mergers, corporate split, share exchange, share transfer, business transfer and business assumption)" in the Prospectus.

Connected Transactions

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 14A.11 to 14A.24, 14A.28 to 14A.41, 14A.46, 14A.48 to 14A.55, 14A.58 to 14A.66 and 14A.72 to 14A.73 of the Listing Rules (plus a partial waiver from Rules 14A.25 to 14A.27A (in that any aggregation will apply to “Related Party Transactions” as defined under the FIEA, opposed to “Connected Transactions” (as defined in the Listing Rules))). We are justified in continuing to use the Japanese law rules for the classification of Related Party Transactions (as opposed to those used in Chapter 14A of the Listing Rules) as well as seeking a waiver in respect of those requirements in Chapter 14A of the Listing Rules that require shareholders’ approval on account of the fact that the existence of the equivalent shareholder protections in Japan and certain voluntary measures introduced by ourselves, each as are set out below, provide a commensurate level of protection to shareholders as is contained in Chapter 14A of the Listing Rules.

Equivalent Shareholder Protections

We will continue to comply with the continuing obligations applicable to Related Party Transactions pursuant to the FIEA and the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (the Ordinance of the Ministry of Finance No. 28 of 1976), which require the notes to our financial statements to include details of any material transactions with Related Parties, including any Controlling Shareholders of the Company.

The definition of a Related Party under the FIEA is broadly commensurate with the definition of a Connected Person as defined in Rule 1.01 and Rule 14A.11 (in respect of Connected Transactions) of the Listing Rules. The definition of a “Connected Person” under the Listing Rules and a “Related Party” under the FIEA differ as follows:

- (a) the FIEA does not regard previous directors of the listed issuer within the preceding 12 months as being Related Parties;
- (b) the FIEA does not contain a definition of “associate”, nor does it precisely set out the family relationships that would deem a person to be a Related Party. The FIEA uses the concept of “close relatives” (meaning relatives within a second degree of kinship) in place of the term “associate”;
- (c) the FIEA does not deem companies under the control of relatives of a director or substantial shareholder of the relevant listed issuer to be Related Parties;
- (d) the FIEA does not deem persons entering into a contractual relationship with Related Parties of the relevant listed issuer to be Related Parties; and
- (e) the FIEA does not deem substantial shareholders of a subsidiary to be Related Parties.

However, the FIEA considers the following parties to be Related Parties:

- (a) the FIEA provides that “related companies” that are able to “effect material influence” over a relevant company and “associated companies” that a relevant company is able to “effect material influence” over are Related Parties to the relevant company;
- (b) the FIEA considers any director of a listed issuer, any director of its parent companies and any director of its material subsidiaries to be Related Parties (as opposed to the directors and the chief executive of the listed issuer pursuant to the Listing Rules); and
- (c) the FIEA considers the corporate pension provider for the employees of the relevant company to be a Related Party.

Further, we will continue to comply with the Companies Act, which restricts Directors from voting on any Board resolution approving the entry into a Related Party Transaction that the relevant Director has a material interest in.

As set out in section entitled “Substantial Shareholders” in the Prospectus, we do not have any Shareholders who constitute Controlling Shareholders or substantial shareholders (each as defined in the Listing Rules). As a result, the only Related Parties of the Company at present are the Directors and the Statutory Auditors, as well as certain of their related entities, and the members of the Group. Since 1 April 2008, there were only four arrangements that amounted to Related Party Transactions, which were two acquisitions and a loan entered into by Mr. Kitao with certain consolidated subsidiaries of the Group, and a series of loans lent by a consolidated subsidiary of the Company to a former affiliated company of the Group, which demonstrates the frequency that we enter into such Related Party Transactions. Further details in respect of these transactions can be found at the section entitled “Connected Transactions” in the Prospectus.

Voluntary Measures

We have undertaken to the Hong Kong Stock Exchange to take certain voluntary steps to increase the standard of shareholder protection provided by the Japanese regime on Related Party Transactions, as follows:

- (a) we will voluntarily announce any Related Party Transaction entered into by any Related Party that amounts to greater than 1% of the total assets of the Group;
- (b) we will voluntarily obtain a fairness opinion (which will be referred to in the announcement in respect of the Related Party Transaction) from an Independent Third Party in respect of any Related Party Transactions entered into by any Related Party that amounts to greater than 5% of the total assets of the Group stating that the relevant transaction will not be detrimental to the interests of minority shareholders of the Company;
- (c) all Related Party Transactions will be provided for in the Company’s annual financial statements in accordance with the FIEA; and
- (d) in the convocation notice for each AGM at which the entire Board submits themselves for re-election pursuant to the Companies Act all Related Party Transactions entered into by

the Directors in the previous year will be disclosed to Shareholders and HDR Holders and their involvement in each will be specifically referenced.

Any announcement in respect of a Related Party Transaction will include the applicable announcement content requirements for a connected transaction under Chapter 14A, as provided in Rules 14A.56(1),(2), (5), (6) and (9). The provision of these Chapter 14A content requirements will provide investors with the detailed information normally expected from issuers on the Hong Kong Stock Exchange. In addition, the disclosure requirements under the FIEA, which are referred to in the section entitled “Appendix V — Summary of the Constitution of our Company Certain TSE and OSE Listing Regulations and Japanese Corporations Law — Disclosure of Material Transactions with Related Parties in the Financial Statements” in the Prospectus, would need to be included in the relevant announcement, these include, in particular:

- (a) the relationship between the Company and the Related Party;
- (b) the details and conditions of the Related Party Transaction; and
- (c) the balance, as of the end of a fiscal year, of the debts and credits generated by the Related Party Transaction for each account classification.

Although, there is no requirement for shareholders’ approval of any Related Party Transactions under Japanese law, or under our voluntary proposals, in the event that we undertake a Statutory Transaction or a Non-Statutory Transaction that also amounts to Related Party Transaction, we will disclose the information contained in Rules 14A.59(2)(d)-(f) of the Listing Rules in the relevant convocation notice of shareholders’ meeting.

Conditions

As a condition to the grant of this waiver, we have voluntarily undertaken to:

- (a) inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of substantial change being made to the Japanese regime in respect of Related Party Transactions;
- (b) include a detailed summary of the applicable provisions of Japanese law noted above and the impact of the waiver on the Hong Kong investing public in the Prospectus; and
- (c) disclose in the Prospectus the grant of this waiver, setting out all relevant details including the circumstances and the conditions imposed including, without limitation, full details of the applicable Japanese laws and regulations.

For further information on Related Party Transactions, please see the sections entitled “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Related Party Transactions” and “Connected Transactions” in the Prospectus.

SHARE OPTION ISSUES

Rule 19.42 of the Listing Rules provides that the Hong Kong Stock Exchange may be prepared to vary the requirements applicable to share option schemes of an issuer if its primary listing is on another stock exchange where different or no such requirements apply. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from the operation of Chapter 17 of the Listing Rules (with the exception of Rule 17.05 of the Listing Rules which will apply to the Company only) in its entirety. The Group's Pre-IPO SAR Resolutions comply with the Companies Act, the FIEA, the TSE Listing Regulations and the OSE Listing Regulations, however, such resolutions and future incentive resolutions will not contain all of the provisions required by Chapter 17 of the Listing Rules.

Unlike other jurisdictions, Japanese companies, including our Company, do not have underlying share option schemes established for the purpose of setting out the basic terms that will apply to all issues made under that scheme. Instead, they pass the necessary resolution of the board of directors or resolution of shareholders, as the case may be, at each issue of SARs in accordance with the Companies Act. Therefore, Japanese laws and regulations applicable to the issuance of SARs are not directly comparable with the provisions of Chapter 17 of the Listing Rules. For further details of Japanese regime for issuance of SARs, please see "Statutory and General Information — Other Information — 8. Share Acquisition Rights — (a) Legal Framework for Issuance of Share Acquisition Rights in Japan" in the Prospectus.

For details of the Pre-IPO SARs, please see the section entitled "Statutory and General Information — Other Information — Share Acquisition Rights" in the Prospectus.

DISCLOSURES RELATING TO SHARE OPTIONS

Under Rule 17.02(1)(b) and paragraph 27 of Appendix 1, Part E of the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, the Prospectus is required to include details of the number, description and amount of any of our Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given. We have issued Pre-IPO SARs to 930 persons to subscribe for 292,368.24 Shares (as at the Latest Practicable Date) on the terms set out in the section entitled "Statutory and General Information — Other Information — Share Acquisition Rights". Of these Pre-IPO SARs, we have issued SBIH Pre-IPO SARs to 584 persons to subscribe for 253,918.24 Shares (as at the Latest Practicable Date).

We have applied to the Hong Kong Stock Exchange and the SFC respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1, Part E of the Listing Rules; (ii) an exemption under section 342A of the Companies

Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance; and (iii) a waiver from Chapter 17 of the Listing Rules in its entirety (with the exception that Rule 17.05 of the Listing Rule will apply in relation to any grant of SARs by the Company; but will not apply in relation to any grant of SARs by the Company's subsidiaries) on the grounds that full compliance with the above mentioned requirements would be unduly burdensome and that the waiver and the exemption will not prejudice the interests of the investing public as (i) 832 of 930 grantees of the Pre-IPO SARs are neither Directors, nor members of the senior management of the Company and/or its consolidated subsidiaries; (ii) the grants of such Pre-IPO SARs are highly sensitive and confidential among the grantees as they were granted on the basis of performance and contribution of each grantee; (iii) the Personal Information Protection Act prohibits the Company from disclosing personal data of such grantees without their prior consent; and (iv) as our proposed listing amounts to "unpublished material information that would have a substantial effect on investment decisions" under Japanese insider trading regulations, if we seek the consent of each grantee (including, for example, the directors of our subsidiaries) we would widen the circle of insiders who are aware of the proposed listing by disclosing such material information to these grantees, which would cause a significant risk of insider dealing in our Shares. Given the large number of grantees, obtaining the consent from each one of them would be extremely difficult and (v) the grant and exercise in full of the Pre-IPO SARs will not cause any material adverse change in the financial information of the Company. The summary information relating to the Pre-IPO SARs granted under the Pre-IPO SAR Resolutions in the Prospectus (entitled "Statutory and General Information — Other Information — Share Acquisition Rights") should provide potential investors with sufficient information for them to assess these Pre-IPO SARs in their respective investment decision-making process.

The Hong Kong Stock Exchange has granted us the waiver on the conditions that:

- (a) there will be full disclosure of all SBIH Pre-IPO SARs granted to Directors, Statutory Auditors and senior management of the Company on an individual basis including, without limitation, disclosure of the exercise price, exercise period and weighted average price of the relevant SBIH Pre-IPO SARs held by such Director and senior management required by paragraph 10(d) of the Third Schedule to the Companies Ordinance, Rule 17.02(1)(b) and paragraph 27 of Appendix 1E of the Listing Rules in the paragraph entitled "Statutory and General Information — Other Information — Share Acquisition Rights" in the Prospectus;
- (b) for the remaining grantees, disclosure will be made, on an aggregate basis, of (1) the aggregate number of shares to be subscribed for pursuant to the exercise of the Pre-IPO SARs; (2) the exercise period of the Pre-IPO SARs; (3) the consideration paid for the Pre-IPO SARs; and (4) the exercise price of the Pre-IPO SARs;
- (c) there will also be disclosure in the Prospectus of the aggregate number of shares to be subscribed for pursuant to the exercise of the Pre-IPO SARs and the percentage of the Company's issued share capital represented by them;
- (d) there will be disclosure on the dilution effect and impact on earnings per share upon full exercise of the Pre-IPO SARs in the paragraph headed "Statutory and General

- Information — Other Information — Share Acquisition Rights” in the Prospectus; and
- (e) a full list of all of Directors and senior management of the Company who have been issued the Pre-IPO SARs, containing all the details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1E to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance as attached in Schedule 5, will be available for public inspection.

The SFC has granted us the exemption under the Companies Ordinance on the conditions that:

- (a) there will be full disclosure of all SBIH Pre-IPO SARs granted to Directors, Statutory Auditors and senior management of the Company on an individual basis, including, without limitation, disclosure of the exercise price, exercise period and weighted average exercise price of the relevant SBIH Pre-IPO SARs held by such Director and senior management required by paragraph 10(d) of the Third Schedule to the Companies Ordinance in the paragraph entitled “Statutory and General Information — Other Information — Share Acquisition Rights” in the Prospectus;
- (b) a full list of all of the grantees of the SBIH Pre-IPO SARs (“Register of SARs”) will be available for public inspection. The Personal Information Protection Act prohibits us from publicly disclosing a person’s personal information (such as name and address) without prior their written consent. In light of these legal restrictions the Register of SARs will be redacted so that it does not include the names and addresses of each grantee so as to ensure our compliance with the requirements under the Personal Information Protection Act. All other details on the relevant Register of SARs shall comply with paragraph 10(d) of the Third Schedule to the Companies Ordinance;
- (c) for the remaining grantees, disclosure will be made, on an aggregate basis, of (1) the aggregate number of Shares to be subscribed for pursuant to the exercise of the Pre-IPO SARs; (2) the exercise period of the Pre-IPO SARs; (3) the consideration paid for the Pre-IPO SARs; and (4) the exercise price of the Pre-IPO SARs; and
- (d) a full list of all of Directors and senior management of the Company who have been issued the Pre-IPO SARs, containing all the details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1E to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance as attached in Schedule 5, was made available for public inspection.

ARTICLES OF THE COMPANY

Appendix 3 of the Listing Rules requires an issuer’s articles of association or equivalent constitutional documents to conform with the provisions set out in that appendix. Our Articles do not comply with certain of the Articles Requirements and we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the following Articles Requirements. In certain cases, an Articles Requirement may not strictly be met, but is covered by a broadly commensurate provision in the Articles. We have not applied for a waiver from strict compliance in those

cases.

Further information about the Company's Articles are set out in the section headed "Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law" in the Prospectus.

As regards Transfer and Registration

Articles Requirement 1(1) requires that transfers and other documents relating to or affecting the title to any registered securities must be registered. There is no requirement in the Articles that transfers and other documents relating to or affecting the title to any registered securities must be registered. All Japanese listed companies are unable to issue physical certificates in relation to listed shares and all transfers of listed shares of Japanese listed companies must be made through the book-entry system operated by JASDEC, pursuant to Article 140 of the Book-Entry Act. Any transfer of Shares in the Company becomes effective only through book-entry, and the title to the Shares of the Company passes to the transferee at the time when the transferred number of Shares is recorded in the transferee's account opened at an Account Managing Institution. We do not charge fees on the transfer of the Company's registered securities. Subject to certain exceptions, registration in the Shareholders' registry is updated upon the receipt of the general Shareholders notice given by JASDEC (*soukabunushi tsuchi*) rather than upon the receipt of individual claims by Shareholders, in accordance with the provisions of the Book-Entry Act and without fees charged to any Shareholder by JASDEC or the Company. We are of the view that the protection afforded to Shareholders pursuant to Article 140 of the Book-Entry Act is at the requisite level for the purposes of Articles Requirement 1(1). Further, the HDRs to be issued by the Company in Hong Kong will comply with Chapter 19B of the Listing Rules, which requires the registration of transfers of depositary receipts (in accordance with the Deposit Agreement). Fees to be charged on transfers of HDRs in accordance with the Deposit Agreement will be in compliance with paragraph 1(1) of Appendix 3 of the Listing Rules.

Articles Requirement 1(2) requires that fully-paid shares must be free from any restriction on the right of transfer (except when permitted by the Hong Kong Stock Exchange) and shall also be free from all liens. The Articles do not contain an explicit provision that complies with this paragraph, although at present we only have ordinary Shares in issue and in the event that we imposed transfer restrictions on these ordinary listed Shares we would be delisted as a general rule, pursuant to paragraph 1(14) of Article 601 of the TSE Listing Regulations and paragraph 1(14) of Article 2 of the OSE Delisting Rules. Further, the Companies Act requires that all our Shares be fully-paid before their issuance and accordingly we do not have any liens over our issued Shares. The HDRs will be freely transferable in compliance with Rule 19A.09(a) of the Listing Rules and pursuant to the terms of the Deposit Agreement.

We have undertaken to the Hong Kong Stock Exchange not to take any action (including, without limitation, amending our Articles to reclassify any existing Shares of the Company) whatsoever that

would result in the issue or existence of fully-paid Shares of the Company that are listed or proposed to be listed on the Hong Kong Stock Exchange, that are either (a) not free from transfer restrictions; or (b) subject to any lien. Under Japanese law and the Articles, in order to amend the Articles, the resolution of the Shareholders' meeting must be approved by at least two-thirds (2/3) of the voting rights of the Shareholders present at a meeting where the Shareholders holding at least one-third (1/3) of the voting rights of the Shareholders who are entitled to exercise their voting rights are present (Article 466 and paragraph 2(11) of Article 309 of the Companies Act and paragraph 2 of Article 14 of the Articles).

Articles Requirement 1(3) requires that where the option is taken to limit the number of shareholders in a joint account, such limit shall not prevent the registration of a maximum of four persons. The Articles contain no contradictory provisions and there are no such restrictions under the Book-Entry Act or the Companies Act on the applicable Japanese legislation. The Company has undertaken to the Hong Kong Stock Exchange that it will not introduce a limitation on the number of persons that may register in a joint account.

As regards Definitive Certificates

Articles Requirement 2(1) requires that all certificates for capital be under seal, which shall only be affixed with the authority of the directors. However, pursuant to Article 205 (11) and paragraph 1(16) of 601 of the TSE Listing Regulations and paragraph 1 of Article 128 of Book-Entry Act, a Japanese listed company is unable to issue physical share certificates. Japan has had a fully scripless settlement regime since the implementation of the Book-Entry Act which abolished the issue of share certificates in relation to listed shares by publicly listed Japanese companies. Transfers of title in the listed shares of Japanese listed corporations are effected by a book entry system managed by JASDEC. The existence of a scripless regime in Japan is commensurate with Articles Requirement 2(1) and provides the level of shareholder protection required on the basis that the existence of a centrally managed book-entry transfer system standardises the form of ownership rights of each shareholder to each listed share. We are of the view that this provision is inapplicable to us given that Japan's scripless regime supports the principle behind Articles Requirement 2(1) and such a regime offers a commensurate level of shareholder protection. Further, the HDRs will be compliant with this rule as they will constitute registered certificates issued by the depositary bank in accordance with the Deposit Agreement pursuant to Chapter 19B of the Listing Rules.

Articles Requirement 2(2) requires that where the power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed. The Articles contain no equivalent provision. Although we, as with all listed companies in Japan, use the JASDEC electronic settlement system for share transfers, we may issue certificates representing SARs unless they are subject to the book-entry system operated by JASDEC. Any holders of SARs who have lost certificates may not request the reissuance of their certificates until they have obtained a decision for invalidation by a court of justice in Japan as provided under Article 148(1) of the Non-Contentious Cases Procedures

Act of Japan (Act No. 14 of 1898, as amended) (非訟事件手続法), in accordance with Article 291 of the Companies Act. In view of the above, it would be onerous and unnecessary for us to amend our Articles to positively comply with Articles Requirement 2(2) as Shareholders are already adequately protected by the existence of Japan's scripless regime, as referred to above. Further, in respect of the HDRs, the Deposit Agreement provides the conditions and process for issuing new HDRs in the event that an HDR is lost, destroyed, stolen or mutilated in accordance with Rule 19B.16(o) of the Listing Rules. For details of this procedure, please refer to the section entitled "Description of Hong Kong Depositary Receipts — Terms of HDRs — Lost, Destroyed, Stolen or Mutilated HDR Certificates" in the Prospectus.

As regards Dividends

Articles Requirement 3(1) requires that any amount paid up in advance of calls on any share may carry interest, but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared. There is no equivalent provision in the Articles or under the Companies Act or other applicable Japanese legislation. Under Articles 34 and 208 of the Companies Act, all consideration due for shares issued by Japanese corporations must be consequently paid in full on their issuance, at which point the party subscribing for such shares will become entitled to dividends in the Company, the record dates for which are on or after such issuance. On this basis, there are no circumstances within which this provision would apply to us since, under Japanese law, amounts are not paid in advance of calls.

Articles Requirement 3(2) requires that where the power is taken to forfeit unclaimed dividends, that power shall not be exercised until six years or more after the date of declaration of the dividend. Article 32 of the Articles provides that the Company shall be "released from the obligation to pay dividends from surplus which have not been claimed after the lapse of three (3) full years from the day on which such payment was made available". Although paragraph 1 of Article 167 of the Civil Code of Japan (Act No. 89 of 1896, as amended) (民法) provides that shareholders of a Japanese Corporation have the right to claim dividends for a period of ten years, case law (Grand Court of Cassation, Case No. 404 (wo) of 1927; date of decision 1927/8/3) (大審院昭和二年(ヲ)第四〇四号同年八月三日判決) provides the authority for Japanese companies to reduce this limitation period in their articles of incorporation. The three year dividend forfeiture period is a common provision in the articles of incorporation of Japanese companies. However, we have undertaken to the Hong Kong Stock Exchange that we will use our reasonable endeavours to ensure that dividends are not forfeited within six years after the date of declaration of the relevant dividend.

As regards Directors

Articles Requirement 4(1) requires that, subject to such exceptions specified in the articles of association as the Hong Kong Stock Exchange may approve, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting. Note 1

to Appendix 3 of the Listing Rules provides certain exceptions to Articles Requirement 4(1), which include the giving of indemnities and securities by the company to directors and their associates; the underwriting of equity offers by directors and their associates; any proposal or arrangement between the company and any other company which a director and or his associates have a beneficial interest of less than 5%, and employee incentive or remuneration schemes and contracts and arrangements in which directors and/or their associates are interested in by virtue of their interest in shares in the company only.

There are no equivalent provisions in the Articles, but Shareholders receive a broadly commensurate level of protection to the protections under Articles Requirement 4(1) under the applicable provisions of the Companies Act, which imposes restrictions on directors voting at meetings involving proposals in which they are interested, as well as providing for the disclosure of such interests by directors at the relevant board meeting. Under Article 356 of the Companies Act, a director must disclose the material facts of any proposal that the director is interested in at the beginning of the relevant meeting of the board of directors to approve the transaction, and he or she is not entitled to vote at the board meeting, or to be included in the quorum, when the relevant issue is discussed.

Articles Requirement 4(3) requires that where not otherwise provided by law, the issuer in general meeting shall have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office. Although the Articles contain no equivalent provisions, paragraph 1 of Article 339 of the Companies Act provides Shareholders' meetings of our Company with an equivalent power.

Articles Requirement 4(4) requires that the minimum length of the period during which notice to the issuer of the intention to propose a person for election as a director, and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least seven days. There is no equivalent minimum period provided in the Articles. Pursuant to Article 304 of the Companies Act, a shareholder is permitted to propose an amendment of any such agenda at a shareholders' meeting without any prior notice if such agenda is scheduled to be discussed and determined at the shareholders' meeting. There is no equivalent provision in the Articles and the inclusion of such a requirement in the Articles would be inconsistent with and unenforceable under Japanese Law. We understand that the occurrence of such last minute changes being made is exceptionally rare in practice.

Articles Requirement 4(5) requires that the period for lodgement of the notices referred to in Articles Requirement 4(4) will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting. There is no equivalent provision in the Articles and the inclusion of such a requirement in the Articles would be inconsistent with and unenforceable under Japanese law.

As regards Accounts

Articles Requirement 5 requires that a copy of either (i) the directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account; or (ii) the summary financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member. There is no equivalent provision in the Articles, although under Article 299 of the Companies Act, the convocation notice of an annual general meeting (including the business report and financial statements) must be served by Japanese companies at least 14 days before the date of the annual general meeting. In addition, in the event that shareholders give their consent to the distribution of the convocation notice by electronic means pursuant to Article 299 of the Companies Act, the business report and financial statements may be distributed to shareholders by electronic means pursuant to Article 437 of the Companies Act. Further, certain items to be included in the business report and notes to financial results may be uploaded to, and accessible on, the Company's website, rather than circulated directly to individual shareholders pursuant to Article 437 of the Companies Act and Article 13 of the Articles.

We have agreed to use our reasonable endeavours (while the HDRs of the Company are listed on the Hong Kong Stock Exchange) to deliver the convocation notice (with the exception of the business report and financial statements, which will be published electronically and referenced in the convocation notice) at least 21 days before the AGM in hard copy to HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS).

As regards Rights

Articles Requirement 6(1) requires that adequate voting rights must, in appropriate circumstances, be secured to shareholders who hold preference shares in a company. The Articles do not contain any such provision on account of the fact that we do not have any preferred shares in issue, but preferred shareholders may be afforded such a right, pursuant to Article 322 of the Companies Act, to vote in cases where their particular rights as a class are prejudiced, which provides preference shareholders with an equivalent power.

Articles Requirement 6(2) requires that the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class. Although the Articles contain no equivalent provisions, Article 324 of the Companies Act provides that the quorum requirement for a meeting of holders of any class of shares is, as a general rule, a majority of the votes of the shareholders of that class represented by those present either in person or by proxy pursuant to the Companies Act.

As regards Notices

Articles Requirement 7(2) requires that an overseas issuer whose primary listing is or is to be on the Hong Kong Stock Exchange must give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice. If the overseas issuer's primary listing is on another stock exchange, the Hong Kong Stock Exchange will normally be satisfied with an undertaking by the issuer to do so and will not normally request the issuer to change its articles to comply with Articles Requirement 7(2) where it would be unreasonable to do so. The Articles do not contain such a requirement. We have undertaken to the Hong Kong Stock Exchange to provide sufficient notice to HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person, company or other entity whose HDRs are held in CCASS, and who has notified a listed issuer through HKSCC that such person, company or other entity wishes to receive corporate communications) with registered addresses both in and outside of Hong Kong to exercise their rights or comply with the terms of the notice.

As regards Redeemable Shares

Articles Requirement 8 requires that if the Company has the power to purchase for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and if such a purchase is made by tender, then tenders must be available to all shareholders alike. At present, we do not have any redeemable shares as the concept does not exist under Japanese law; thus our Articles do not contain any provisions in respect of, or powers to issue, any redeemable shares.

As regards Non-Voting or Restricted Voting Shares

Articles Requirement 10(1) requires that where the capital of the issuer includes shares which do not carry voting rights, the words "non-voting" must appear in the designation of such shares. Although the Articles do not contain such a requirement, nor do the Companies Act or the TSE or OSE Listing Regulations contain such a designation requirement in Japan, rather than amend its Articles to ensure positive compliance, we have undertaken to the Hong Kong Stock Exchange to designate Shares and HDRs which do not carry voting rights with the words "non-voting" (except Treasury Shares, which in any case shall be non-voting pursuant to the relevant provisions of the Companies Act).

Articles Requirement 10(2) requires that where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting". Although our Articles do not contain such a requirement, nor do the Companies Act or the TSE or OSE Listing Regulations contain such a designation requirement in Japan, rather than amend our Articles to ensure positive compliance, the Company would be prepared to undertake to designate Shares and HDRs, other than those with the most favourable voting rights, with the words "restricted voting" or "limited voting".

As regards Proxies

Articles Requirement 11(2) requires that a corporation may execute a form of proxy under the hand of a duly authorised officer. The Articles do not contain such a requirement, although there are no contradictory provisions in the Companies Act and the finalisation and approval of the form will need to be made by the resolution of the board of directors or by a director authorised to do so. The registered HDR Holders will be entitled to instruct the Depositary as to the exercise of their respective voting rights. The registered HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS) do not have the right to appoint a proxy. The non-registered HDR Holders shall give their voting instructions to HKSCC Nominees who shall, in turn, pass such instructions on to the Depositary and the Depositary shall instruct the Custodian to cast the votes in accordance with the voting instructions received from HKSCC Nominees. In order for HDR Holders to attend Shareholders' meetings and to exercise voting rights in the meeting, HDR Holders will have to convert the HDRs to Shares.

As regards Disclosure of Interests

Article Requirement 12 requires that no powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the company. The Articles do not contain any such restriction on the powers of the Company, but do not afford it the power to do so either. In practice there are no relevant provisions of the Articles or the Companies Act that would entitle us to take such steps.

As regards Untraceable Members

Article Requirement 13(1) requires that where power is exercised to cease sending dividend warrants by post, if such warrants have been left uncashed, it will not be exercised until such warrants have been so left uncashed on two consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered. There is no equivalent restriction in the Articles, however, paragraph 1 of Article 196 of the Companies Act provides that in cases where notices (including dividend warrants) have not reached a shareholder for five consecutive years, the relevant company shall no longer be required to give notices to such shareholders, which we deem to be a commensurate provision to Article Requirement 13(1).

Article Requirement 13(2) requires that where power is exercised to sell the shares of a member who is untraceable it will not be exercised unless (a) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and (b) on expiry of the 12 years the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention. There is no equivalent restriction in the Articles. Article 197 of the Companies Act provides that

in cases 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, a company shall be entitled to sell or auction the shares of such a shareholder. In exercising this right, a company is required to issue a public notice and make a demand to a shareholder or a registered pledgee of shares seeking no objection to such action at least three months before such sale or auction pursuant to Article 198 of the Companies Act.

As regards Voting

Articles Requirement 14 requires that, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. There is no equivalent provision contained in the Articles and this requirement is not consistent with the Companies Act and would be unenforceable in Japan under Article 308 of the Companies Act as, subject to certain limited exceptions, each shareholder of a Japanese corporation is entitled to a single vote for each share in the company that they hold and, with the exception of certain limited circumstances, the Companies Act does not restrict this right to certain resolutions or matters. In order to address this difference in shareholder protection, we have undertaken to the Hong Kong Stock Exchange to adhere to the Abstention Process in the Prospectus (as described below in “Waivers and Voluntary Measures — Material Interest in a Transaction”) in order to provide partial compliance with Articles Requirement 14).

NOT A PUBLIC COMPANY IN HONG KONG

Section 4.1 of the Takeovers Code applies to takeovers, mergers and share repurchases affecting public companies in Hong Kong and companies with a primary listing in Hong Kong.

We have applied for, and the SFC has granted, a ruling that we are not a “public company in Hong Kong” for the purposes of Section 4.1. Therefore, the Takeovers Code does not apply to us. This ruling may be reconsidered by the SFC in the event of a material change in information provided or representations made to the SFC.

We are subject to the provisions of the FIEA regarding takeovers. Please see the section entitled “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law” in Appendix V to the Prospectus for more information.

Further, we are subject to the provisions of the Companies Act, the FIEA, the TSE and the OSE Listing Regulations regarding share repurchases. Please refer to “Statutory and General Information — Repurchase of our Shares” in Appendix VIII to the Prospectus for more information.

SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Rule 10.04 of the Listing Rules provides that an existing shareholder may only subscribe for or purchase securities for which listing is sought if (1) no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 of the Listing Rules also provides that no allocations will be permitted to be made to directors or existing shareholders of a new applicant or their associates.

We have applied for, and the Hong Kong Stock Exchange has granted us, a partial waiver to the extent necessary to include our existing Shareholders who do not exert any influence over the Company and who have no influence over the HDR allocation process in the “book-building” process described in the section entitled “Structure and Conditions of the Global Offering” in the Prospectus. The waiver from strict compliance with Rule 10.04 is conditional on: (i) each of the Directors confirming to the Hong Kong Stock Exchange that they will not participate directly or indirectly in the International Placing, and providing to the Hong Kong Stock Exchange a list of institutions through which they hold Shares in the Company; (ii) the Company ensuring that no HDRs under the International Placing will be allocated to pre-IPO cornerstone investors in the Global Offering; (iii) existing Shareholders subscribing for HDRs in the International Placing confirming to the Company and the Sponsor that they are not connected persons or persons who will become connected persons immediately upon completion of the International Placing and that their subscription for HDRs is not being financed by or being made on the instructions of connected persons; and (iv) the Company and the Joint Bookrunners confirming that the existing Shareholders subscribing for HDRs under the International Placing will not be given preferential treatment in the allocation process. In connection with the waiver granted above, the Hong Kong Stock Exchange has also granted us a waiver from strict compliance with paragraph 5(2) of Appendix 6 of the Listing Rules.

SHARE REPURCHASE AND TREASURY SHARES

Dealing Restrictions

Rule 10.06(2) of the Listing Rules imposes certain restrictions on how a listed issuer may purchase its own shares on the Hong Kong Stock Exchange. Rule 19.43(1) of the Listing Rules provides that an overseas issuer (such as ourselves) may purchase its own shares on the Hong Kong Stock Exchange in accordance with the relevant provisions of Rule 10.06 of the Listing Rules, provided that the Hong Kong Stock Exchange waives some or all of the applicable dealing restrictions set out in Rule 10.06(2) of the Listing Rules on the basis that the overseas issuer’s primary exchange already imposes equivalent or similar dealing restrictions on the overseas issuer in respect of purchases of shares on the Hong Kong Stock Exchange.

We are currently subject to broadly similar dealing restrictions on share repurchase under the Companies Act:

- (a) in situations where we wish to purchase our own Shares from particular Shareholders (the “Selling Shareholders”), Articles 156, 160 and 309(2) of the Companies Act further require (i) Shareholders to pass a special resolution to approve the number of Shares to be purchased; (ii) the description of the assets to be paid or delivered in exchange for the repurchased Shares and aggregate amount thereof; (iii) the period during which we may repurchase our own Shares (provided that it must not exceed one year); and (iv) the name(s) of the Selling Shareholders with the Selling Shareholders abstaining from voting on such resolutions and, further, articles 157(1) and 157(2) of the Companies Act provide that immediately before each share repurchase the Board of Directors must approve (i) the number of Shares to be repurchased; (ii) the description of the assets to be paid or delivered in exchange for the purchased Shares and aggregate amount thereof; and (iii) the deadline for the Shareholders who wish to sell their Shares to the Company to inform their intention to sell their Shares;
- (b) in situations where we wish to purchase our own Shares from the open market (including acquisitions on the TSE, the OSE, other foreign securities market or through a tender offer proceeding in Japan), Articles 156 and 165(3) of the Companies Act require our Board of Directors to approve (i) the number of Shares to be purchased; (ii) the description of the assets to be paid or delivered in exchange for the repurchased Shares and the aggregate amount thereof; and (iii) the period during which we may repurchase our own Shares (provided that it must not exceed one year). We are also subject to various dealing restrictions in repurchasing through the auction market of TSE or OSE, including that (i) the Company must not place an order to repurchase our Shares with more than one securities trading company per day; (ii) the Company must not place an order to repurchase its Shares within 30 minutes to the closing time; (iii) certain limitations on the price the Company may repurchase our Own shares, which depends on when we place the relevant order to repurchase; (iv) the aggregate number of Shares that the Company may repurchase in a day must not exceed a certain percentage of the average trading volume of our Shares on the relevant exchange; and (v) we must purchase our Shares under our own name; and
- (c) Article 461(1) of the Companies Act provides that share repurchases must be made out of the Company’s distributable reserves.

In addition to the requirements under the Companies Act, Articles 27-22-2 and 2(17) of the FIEA deem the repurchase of our securities on the Hong Kong Stock Exchange as an off-market transaction. Because of this, any repurchase of our HDRs on the Hong Kong Stock Exchange would be regarded as a tender offer and would be subject to the tender offer rules within the FIEA (the “**Tender Offer Rules**”).

The Tender Offer Rules prescribes a tender offer procedure according to which a listed company may repurchase its own shares.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.06(2)(a) and 10.06(2)(c) of the Listing Rules with respect to any repurchase by us of our HDRs on the Hong Kong Stock Exchange and our Shares on the TSE or OSE.

Publication of details of Share Repurchases

Rule 10.06(4)(a) of the Listing Rules requires an issuer to submit to the Hong Kong Stock Exchange for publication certain particulars of the repurchase by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day following any day on which the issuer makes a purchase of its shares.

If we execute the repurchase of our Shares on the TSE or the OSE using ToSTNeT2 or ToSTNeT3 (which are off-floor non-auction sales trading platforms provided by these stock exchanges), (“**Off-Floor Repurchase**”) the disclosure guidelines of the TSE and the OSE already require us to disclose the following matters to the investing public without delay: (i) the class of shares repurchased; (ii) the aggregate number of shares repurchased; and (iii) the aggregate repurchase price. Further, where we have completed share repurchases by way of a tender offer, we are required to disclose without delay: (i) the period during which we repurchased its shares; (ii) the repurchase price per share; (iii) the method of settlement; (iv) the number of shares having been repurchased for each class of shares; and (iv) any other matters necessary for investors to understand or judge the relevant information.

In addition, should we wish to repurchase our own Shares by way of a tender offer, we would be required to issue a public notice regarding commencement of the tender offer in accordance with the FIEA immediately after the relevant Board resolution. This public notice must include information regarding the tender offer such as: (i) the purpose of the offer; (ii) the number of Shares to be purchased through the offer; (iii) the offer price; and (iv) the tender offer period.

If we execute a repurchase of our Shares on the TSE or the OSE on an on-floor auction trading platform provided by these stock exchanges (“**On-Floor Repurchase**”), under Article 24-6(1) of FIEA, we are required to file a monthly share buyback report (the “**Share Buyback Report**”) with the relevant financial bureau commencing from the month in which the Board of Directors or the Shareholders’ meeting passes the relevant resolution approving such repurchase, until the month in which the last day of the share repurchase period falls into. For each reporting month, the report must contain: (i) the date(s) of any share repurchase; (ii) the number of repurchased shares; (iii) the dates when any Treasury Shares were cancelled; (iv) the number of shares cancelled on each of the above dates; and (v) the number of Treasury Shares held in treasury at the last day of the relevant month. Details of the

share repurchases would be included in our annual securities report and quarterly securities report under the FIEA.

Therefore, we are subject to certain disclosure requirements in Japan, although we recognize that On-Floor Repurchases share repurchases will not be disclosed on a timely basis in the same way as Off-Floor Repurchases. To address this difference, the Company has undertaken to voluntarily report On-Floor Repurchases to the Hong Kong Stock Exchange within 5 Japanese Business Days subsequent to the date of the relevant repurchase.

In connection with this partial waiver of Rule 10.06(4)(a), we have also applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 13.31(1) of the Listing Rules on the same grounds as the waiver granted by the Hong Kong Stock Exchange with respect to Rule 10.06(4)(a) of the Listing Rules. Rule 13.31(1) of the Listing Rules provides that, among other things, an issuer shall inform the Hong Kong Stock Exchange as soon as possible after any purchase, sale, drawing or redemption by the issuer, or any member of the group, of its listed securities (whether on the Hong Kong Stock Exchange or otherwise). In the event that the Company makes an on-market share repurchase, the Company shall inform the Stock Exchange in accordance with Rule 13.31(1) of the Listing Rules within 5 Japanese Business Days subsequent to the date of the repurchase.

Conditions

We have been granted these waivers from Rules 10.06(2)(a), 10.06(2)(c), 10.06(4)(a) and 13.31(1) of the Listing Rules on the condition that:

- (a) our Directors and Executive Officers will undertake on behalf of themselves (and their respective associates) not to participate in any repurchase of Shares undertaken by ourselves;
- (b) we voluntarily report On-Floor Repurchases to the Hong Kong Stock Exchange within 5 Japanese Business Days subsequent to the date of the repurchase;
- (c) we file all Share Buyback Reports by way of an announcement at the same time as, or if not practicable due to time difference, as soon as practicable after, such announcement or document has been filed with the relevant financial bureau;
- (d) we shall comply with Rule 13.09(1) of the Listing Rules and promptly publish an announcement if we purchase any of our Shares on the TSE or OSE, or our HDRs on the Hong Kong Stock Exchange if such purchase is sufficiently material so as to constitute price sensitive information;
- (e) we will comply with Rule 13.25B of the Listing Rules and submit for publication on the Hong Kong Stock Exchange's website a monthly return which reflects any share repurchases by us during the period to which the monthly return relates;
- (f) we will comply with Rule 10.06(4)(b) of the Listing Rules and include in our annual report and accounts a monthly breakdown of purchases of Shares made during the relevant

- financial year showing the relevant details prescribed under this Rule 10.06(4);
- (g) we will comply with Rule 10.06(2)(d) of the Listing Rules;
 - (h) we will inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of any substantial change being made to the share repurchase regime in Japan; and
 - (i) we will disclose in the Prospectus the grant of this waiver, setting out relevant details including the circumstances and the conditions imposed.

Cancellation of Shares upon Repurchase

Rule 10.06(5) of the Listing Rules provides that the listing of all shares which are purchased by an issuer (whether on the Hong Kong Stock Exchange or otherwise) shall be automatically cancelled upon purchase and the listed issuer must apply for listing of any further issues of that type of shares in the normal way. The listed issuer must also ensure that the documents of title of purchased shares are automatically cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase. Rule 19.43(2) provides that the Hong Kong Stock Exchange will be prepared to waive the requirement to cancel and destroy the documents of title of purchased shares in the case of an overseas issuer whose primary exchange permits treasury stock, provided that the overseas issuer must apply for the re-listing of any such shares which are reissued as if it were a new issue of those shares. Rule 19B.21 further provides that if depositary receipts are purchased by the listed issuer, it shall surrender the purchased depositary receipts to the depositary. The depositary shall then cancel the surrendered depositary receipts and shall arrange for the shares represented by the surrendered depositary receipts to be transferred to the issuer and such shares shall be cancelled by the issuer.

However, under the Book-Entry Act, Japanese listed companies are unable to issue physical share certificates in relation to listed shares. Japan operates a fully scripless clearing and settlement regime for transfers in securities and all shares in the Company are presently held in uncertificated form. Therefore, we are unable to comply as a matter of Japanese law with the requirements of Rule 10.06(5) that all purchased shares are destroyed as soon as reasonably practicable after settlement. Further, the conditions and process for the cancellation or destruction of any HDRs that are purchased by ourselves should also reflect the statutory position in Japan.

We also have the ability to hold any Shares that we repurchase in treasury pursuant to Article 155 of the Companies Act ("**Treasury Shares**") and may dispose of such Treasury Shares, subject to the same rules that apply to an issuance of new Shares by us and in accordance with Article 199 of the Companies Act. Certain restrictions are in place in relation to the manner in which we may acquire Treasury Shares, and the rights of the Treasury Shares with respect to other Shares of the Company in issue. Under Article 461 paragraph 1(ii) and (iii) of the Companies Act, the total value of Treasury Shares acquired by a company at any one time may not exceed the distributable amount of profits that such company has as at the date of such acquisition, although the Companies Act does not place a limit on the aggregate number of Treasury Shares being held by a Japanese company. Treasury Shares do not

grant the Company the right to (i) vote at Shareholders' meetings; (ii) receive any dividend distributed; or (iii) any entitlement to any distribution rights that may be attributable to other Shareholders of the Company. We held 14,621 Shares as Treasury Shares as at 31 December 2010. We may dispose of Treasury Shares to any person, subject to a resolution of the Board of Directors, at such times and on such terms as the Board of Directors may determine, so long as the price of the re-issued Shares is not "especially favourable" to subscribers of the Shares. If the price of the re-issued Shares is "especially favourable", a special resolution of the general meeting of Shareholders is required. Under the TSE Listing Regulations and the OSE Delisting Rules, Treasury Shares held by Japanese listed companies are not delisted on their acquisition, but remain as listed securities of the relevant company. Thus, if we were to decide to offer any Treasury Shares, it would not be necessary to apply to the TSE or the OSE for the re-listing of such Treasury Shares. However, when we offer our Treasury Shares for sale, we are required to comply with the same rules that apply to the issuance of new Shares, which requires, amongst other matters, a Board resolution approving the terms of such sale and publication of notice at least 14 days prior to the closing date of such sale.

On the basis of the above, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.06(5) and 19B.21 of the Listing Rules for us to (i) cancel the listing of any such Treasury Shares; (ii) apply for relisting of any such Treasury Shares held by the Company on their disposal; and (iii) cancel and destroy as soon as reasonably practicable all documents of title of repurchased Shares (including both HDRs and their underlying Shares) following settlement, on the condition that we:

- (a) comply with the Companies Act in relation to Treasury Shares that we hold and inform the Hong Kong Stock Exchange as soon as practicable in the event of any failure to comply or any additional waiver to be granted;
- (b) inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of any substantial change being made to the Japanese Treasury Shares regime;
- (c) disclose in the Prospectus the grant of this waiver, setting out relevant details including the circumstances and the conditions imposed;
- (d) confirm our compliance with the waiver conditions in our subsequent annual reports and, if applicable under Japanese law, any convocation notice for Shareholders' meeting seeking Shareholders approval of any repurchases of our Shares; and
- (e) comply with any relevant provisions in the event of changes to the Hong Kong regulatory regime and the rules in relation to the Treasury Shares to the extent that Japanese law permits (subject to any waiver which may be sought by ourselves and granted by the Hong Kong Stock Exchange or any other regulatory authority)

As part of the relevant waiver application, we have agreed with the Hong Kong Stock Exchange a list of modifications to a number of provisions under the Listing Rules which are necessary to enable us to hold our current and future Treasury Shares. For the full list of those modifications, please refer to Appendix VII of the Prospectus. In addition, we will provide further submissions to the Hong Kong Stock Exchange regarding any further modifications to the Listing Rules which are necessary as a result of any

changes in the Listing Rules or other applicable laws and regulations. Any further modifications to the Listing Rules will have to be agreed with the Hong Kong Stock Exchange in advance.

METHODS OF LISTING

Chapter 7 of the Listing Rules sets out the methods by which equity securities may be brought to listing, and the requirements applicable to each method. We have applied for, and the Hong Kong Stock Exchange has granted us, waivers from strict compliance with certain of the requirements under Chapter 7 of the Listing Rules. We have not applied for a waiver from Rules 7.18 to 7.22 in respect of rights issues as no similar concept exists under Japanese law, which means that we will not list any HDRs on the Hong Kong Stock Exchange by way of a rights issue.

Offer for subscription and offer for sale

We are already subject to similar regulatory oversight in Japan with respect to the fairness of the basis of allotment should we wish to offer existing Shares for sale to or for subscription by the public. Articles 4(1) and 5(1) of the FIEA require details of such offers to be disclosed to the market by way of filing a SRS, and a prospectus (including certain information contained in the SRS), must be delivered to the investors by the time the investors obtain the allotted Shares. We may not issue our Shares at an “especially favourable” price to subscribers without a special resolution of the shareholders’ meeting. Further, neither the TSE nor the OSE Listing Regulations require such offers to be fully underwritten.

In the event that we make an offer for subscription for or an offer for sale of our securities in a jurisdiction other than Hong Kong, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 7.03 to 7.05 and 7.07 to 7.08 of the Listing Rules, which require, among others, a listing document to be issued.

To ensure that HDR Holders are kept informed of the details of any public offering (whether an offer for subscription or offer for sale) that we may undertake outside Hong Kong from time to time, we will publish any announcement or document required to be issued in connection with any such public offering under applicable Japanese rules or regulations on the Hong Kong Stock Exchange’s website pursuant to Rule 13.09(1) of the Listing Rules.

Placing

We consider placings (as defined in the Listing Rules) to be broadly equivalent to the concept of a non pro-rata allotment of shares or SARs to specific persons (“**Third Party Allotments**”) in Japan. We are already subject to regulation in relation to such Third Party Allotments under the Companies Act, the TSE and OSE Listing Regulations. For example, under Articles 199(2) and 201(1) and Articles 238(2) and 240(1) of the Companies Act, if a company allots the new shares at an “especially favourable” subscription price or SARs at an “especially favourable” subscription price or with “especially favourable”

conditions, Article 309(2)(vi) of the Companies Act requires the approval of its shareholders by way of a special resolution. Further, Article 432 of the TSE Listing Regulations and Article 2 of the Rules regarding the Code of Conduct of the OSE provide that if the shares being allotted represent more than 25% of the total issued shares prior to such allotments or there is a possibility that the controlling shareholder of the issuer may change as a result of such allotment, the issuer must obtain the opinion of a person independent from the management regarding the necessity and suitability of such allotment, or alternatively seek the shareholders' approval in advance of the proposed allotment by passing a relevant resolution at a shareholders' meeting. We are also required to file an SRS in compliance with Articles 4(1) and 5(1) of the FIEA, which discloses (i) information on each allottee; (ii) share transfer restrictions attached to the allotted shares; (iii) conditions of allotment of shares; (iv) details of substantial shareholders after the allotment; (v) details of any "large volume third party allotment"; (vi) the necessity of such large volume third party allotment (where applicable); and (vii) whether or not we have a plan for reverse stock split and its details.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 7.10 and 7.12 of the Listing Rules.

Open Offers

We consider that under Japanese law there is no equivalent legal concept to an "open offer" under the Listing Rules. The most similar concept under Japanese law is an "allotment of shares to shareholders" under Article 202 of the Companies Act, in which all existing shareholders are granted non-transferable subscription rights on a *pro rata* basis.

Such allotment of shares to shareholder has been very rare in Japan since the 1990s. Further, there are no restrictions on such *pro rata* allotment of shares as they do not harm shareholders' interests. Also, as the allotment is made on a *pro rata* basis there is no dilutive effect on the existing shareholders' shareholding in the Company.

In any event, we are under an obligation to fully disclose to the market such allotment of shares under both the TSE and the OSE Listing Regulations. Such allotments must be disclosed to the market by way of an SRS at least 25 days before the proposed allotment date set by our Board of Directors. This disclosure is in addition to the notice that individual shareholders are entitled to receive for such allotments under the Companies Act, which provides that we must notify our Shareholders no less than two weeks prior to the proposed allotment date (i) the terms of the allotment; (ii) the number of Shares to be allotted to each Shareholder; and (iii) the application date that the Board of Directors determines to be the allotment date. A prospectus that includes certain information contained in the SRS must also be delivered to the Shareholders by the time the Shareholders obtain the allotted subscription rights.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 7.24 to 7.27 of the Listing Rules. In the event that

we conduct *pro rata* allotment of Shares on the TSE or the OSE, we will publish any announcement or document required to be issued in connection with any such allotment of Shares on the Hong Kong Stock Exchange's website pursuant to Rule 13.09(1) of the Listing Rules. We shall also procure the Depository to ascertain the wishes of HDR Holders on whether they wish to accept such allotments with sufficient notice in advance.

Capitalisation Issue

We consider that there is no precise equivalent concept of a Capitalisation Issue under Japanese law, although a "gratuitous allocation of shares" to existing shareholders under article 202 of the Companies Act has a similar effect to a Capitalisation Issue within the meaning of Rule 7.28 of the Listing Rules, as such gratuitous allocations allow existing shareholders to acquire additional shares in proportion to their existing holdings without payment. However, as shares of Japanese companies do not have any par value and there is no payment received from the shareholders for such allocation, a "gratuitous allocation of shares" does not have any impact on the stated capital, reserve, surplus or profit of a company. We, however, will be required to make an announcement pursuant to the TSE and the OSE Listing Regulations.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 7.28 and 7.29 (with respect to Capitalisation Issues) of the Listing Rules. We will continue to comply with the applicable laws and regulations in Japan, being the jurisdiction where we maintain our primary listing.

To ensure that HDR Holders remain informed of the details of any such Capitalisation Issue that we may undertake, we will publish an announcement in relation to such Capitalisation Issue under the applicable Japanese regulations on the Hong Kong Stock Exchange's website as soon as practicable after such announcement or document has been published in Japan. The relevant announcement will be made in accordance with Japanese law and will set out the amount of the share capital of the Company upon completion of the capitalisation.

We will comply with the relevant provisions of Chapter 7 of the Listing Rules and any relevant requirements under the Companies Ordinance for any (i) offers for subscription; (ii) offers for sale; (iii) placings; (iv) open offers; and (v) capitalisation issues that we undertake on the Hong Kong Stock Exchange.

Options, Warrants and Similar Rights

We consider the issue of warrants to be similar to the issue of SARs or bonds with SARs in Japan. We are already subject to regulatory requirements under the Companies Act for such issuance. For example, unless approved by a special resolution of a shareholders' meeting, Articles 238 and 240 of the Companies Act prohibit us from issuing SARs or bonds with SARs with an "especially favourable"

price or “especially favourable” conditions unless it has been pre-approved by a special resolution of shareholders’ meeting. Articles 4(1) and 5(1) of the FIEA further requires that details of such issuance must be fully disclosed to the market by filing a SRS, and a prospectus (that includes certain information contained in the SRS) must also be delivered to the investors by the time they obtain the SARs or bonds with SARs. These are, however, no specific provisions under any of the above statutory provisions or the TSE and the OSE Listing Regulations which restrict the validity period for converting SARs or bonds of SARs into shares of an issuer.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 15.02(2), 15.03, 15.04, 15.05 and 15.06 of the Listing Rules on the condition that, should we conduct any issue of options, warrants or similar rights to subscribe or purchase equity securities (as defined in the Listing Rules) of the Company on the Hong Kong Stock Exchange, we will comply with the requirements of Rule 15.02(2) to 15.06 of the Listing Rules (subject to the waiver of the obligation under Rule 15.02(1) to limit the proportion of warrants to the issued equity share capital referred to below).

Rule 15.02(1) of the Listing Rules requires that all securities to be exercised on the issue of any warrants (as defined in Chapter 15 of the Listing Rules) must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed twenty (20) per cent. of the issued equity capital of the issuer at the time such warrants are issued. As a Japanese incorporated corporation listed on the TSE and the OSE, the Company is not required to limit the proportion of warrants (as defined in Chapter 15 of the Listing Rules) to the issued equity capital of the issuer under Japanese law. This waiver has been granted in respect of all issues of warrants further to the waiver from Rule 15.02 granted to us, as referred to above.

OTHER OBLIGATIONS

Rule 9.11(10)(b) of the Listing Rules requires that, where the listing document does not contain a profit forecast, (i) two copies of a draft of the Board’s profit forecast memorandum covering the period up to the forthcoming financial year end date after the date of listing; and (ii) a cash flow forecast memorandum covering at least 12 months from the expected date of publication of the listing document with principal assumptions, accounting policies and calculations for the forecasts, are each required to be submitted to the Hong Kong Stock Exchange. We do not intend to include a profit forecast in the listing document and do not have plans to prepare a Board memorandum for the full financial year after Listing. We will make a public announcement in Japan and disclose in the Prospectus when the Directors become aware of any material change in expectations to its financial position and prospects since the date to which the latest consolidated financial results were prepared in the Accountants’ Report and before Listing.

Rules 13.11 to 13.23 of the Listing Rules require the disclosure of certain general matters relevant to an issuer's business, including advances to an entity, financial assistance and guarantees to affiliated companies of an issuer, pledging of shares by the Controlling Shareholder, loan agreements with covenants relating to specific performance of the Controlling Shareholder and breaches of loan agreements by an issuer. As we are incorporated in Japan and are listed on both the TSE and the OSE, we are already subject to announcement obligations under the TSE and OSE Listing Regulations, and submission requirements under the FIEA to file annual securities reports and extraordinary reports. The foregoing announcement and submission requirements provide a detailed list of events that would trigger an announcement, submission or equivalent public disclosure obligation on us. Further, Article 402(1)(ap) of the TSE Listing Regulations and 2(1)1(a) of the Enforcement Rules for timely disclosure etc. of Company Information of the Issuers of the listed securities of the OSE and the cabinet office ordinance promulgated under the FIEA provide for a "sweep-up" provision that will require a public announcement to be made in the event of any material event affecting the Company. The Company will also be required to disclose transactions, including any loans, guarantees or other agreements, with any Related Parties, including the Directors of the Company. In light of this and the general obligation of disclosure provided for in Rule 13.09(1) of the Listing Rules, which the Company will strictly comply with, the announcement and submission requirements of Japanese listed companies are highly commensurate to those provided for in Rules 13.11 to 13.23. We will inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of any change being made to its disclosure obligations pursuant to the FIEA, the TSE and the OSE Listing Regulations.

Note 2 to Rule 13.38 provides, amongst other things, that a proxy form must state that a shareholder is entitled to appoint a proxy of his own choice and must provide a space for the name of such proxy. Article 15 of the Articles however provides that a Shareholder may exercise his or her voting rights by proxy through another Shareholder who has voting rights in the Company and each Shareholder or his or her proxy must submit a document proving such authority to the Company at the relevant shareholders' meeting. It is common practice among Japanese listed companies to restrict the identity of proxies to existing shareholders of a company in order to combat the blackmailing or racketeering of third party proxies. The registered HDR Holders will be entitled to instruct the Depositary as to the exercise of their respective voting rights under the terms of the Deposit Agreement. The registered HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS) do not have the right to appoint a proxy. Those non-registered HDR Holders shall give their voting instructions through their broker(s), where applicable, to HKSCC Nominees who shall then, in turn, pass such instructions on to the Depositary and the Depositary shall instruct the Custodian to cast the votes in accordance with the voting instructions received from HKSCC Nominees. The Deposit Agreement sets out the voting right of the HDR Holders. In order for HDR Holders to attend a shareholders' meeting and to exercise voting rights in the meeting, HDR Holders will have to convert the HDRs to Shares. The Depositary (through the Custodian) will only vote as instructed, but will not itself exercise any discretion. For details of this procedure, please see "Description of Hong Kong Depositary Receipts — Voting Rights" in the Prospectus. Each Shareholder of the Company (including the Custodian who holds the Shares on behalf

of the HDR Holders) is allowed to appoint multiple proxies under Article 313 of the Companies Act, which provides that shareholders of a Japanese company may diversely exercise the votes they hold.

Rule 13.39(4) of the Listing Rules requires that any vote of shareholders of an issuer at a general meeting must be taken by way of a poll. Under Japanese law, we are unable to undertake definitively to ensure that Shareholders' meetings of the Company are held by way of poll, nor can we propose an amendment to its Articles as this would be in conflict with the Companies Act. However, Japanese companies with not less than 1,000 shareholders and Japanese listed companies (including ourselves) are required to adopt voting cards, which can be submitted prior to or at the meeting as a voting method under the Companies Act. In practice, this voting method is in principle equivalent to a vote by way of a poll as shareholders' votes are counted on the basis of one vote for each share held by each shareholder.

Rule 13.46(2)(a) of the Listing Rules provides that an overseas issuer shall send to every member of the issuer and every other holder of its listed securities a copy of either its annual report including its annual accounts or its summary financial report, not less than 21 days before the date of the issuer's annual general meeting and in any event not more than four months after the end of the financial year to which they relate. Our annual report will not be published before the AGM, which must be held within three months of the end of the financial year pursuant to the Companies Act and the Articles. We have therefore applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 13.46(2)(a) of the Listing Rules to the extent that the annual report is required to be issued not less than 14 days before the date of the AGM, on the basis that we will issue our convocation notice of general meeting (which will include a business report and financial results if issued to shareholders or a reference to a URL link where these documents may be electronically accessed if issued to HDR Holders) at least 14 days before the AGM.

Rule 13.70 of the Listing Rules requires that an issuer publishes an announcement or issues a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the shareholders' meeting where such notice is received by the issuer after publication of the convocation notice of meeting. Under Article 304 of the Companies Act a shareholder is permitted to propose an amendment to the agenda for a shareholders' meeting without any prior notice if such an agenda is scheduled to be discussed and determined at such a shareholders' meeting. The agenda may be amended and shareholders may propose a person for election as a director at any time before the relevant shareholders' meeting or even at the meeting, if the original agenda proposed the appointment of a new director, or directors, to the board of directors of the company. It is therefore not possible for us to comply with Rule 13.70 to publish an announcement or issue a supplementary circular upon receipt of a notice from any of the Shareholders to propose a person for election as a Director, or to adjourn the shareholders' meeting to give our Shareholders at least 10 Business Days to consider the relevant information. However, in the event that the agenda is amended between the date of publication of the convocation notice and the date of the relevant shareholders' meeting, the Company will make an announcement in respect of the amendment so long as it is not made on the date of the relevant

shareholders' meeting. On such basis, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 13.70 of the Listing Rules.

Paragraph 26 of Appendix 1, Part E and paragraph 20 of Appendix 1, Part F of the Listing Rules require a prospective issuer to include particulars of any alterations in the capital of any member of the group within the two years immediately preceding the issue date of a listing document. As we have approximately 103 Subsidiaries in 14 different jurisdictions it is unduly burdensome for us to procure this information, which would not be material or meaningful to investors. Therefore, we have included particulars of changes in the share capital of the Company and the principal operating subsidiaries that form the basis of the Group only, rather than all members of the Group, which can be found in the Prospectus in the section entitled "Statutory and General Information — 2. Changes in Share Capital of our Group." In all subsequent listing documents we will disclose the particulars of changes in the capital of the Group by referencing the changes in share capital of the Company and the principal operating subsidiaries of the Group in the same way.

Paragraph 13 of Appendix 1, Part E and paragraph 8 of Appendix 1, Part F of the Listing Rules require an issuer to include any particulars of any commissions, discounts, brokerages or other special terms granted within the two years immediately preceding the issue of a listing document in connection with the issue or sale of any capital of any member of the group, together with the names of any directors or proposed directors, promoters or experts (as named in the relevant listing document) who received any such payment or benefit and the amount or rate of the payment. As we have approximately 103 Subsidiaries in 14 different jurisdictions it is unduly burdensome for us to procure this information, which would not be material or meaningful to investors. Therefore, we have included particulars of any commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital by the Company or any principal operating subsidiary only, rather than all members of the Group (for example, see paragraph 4(c) in "Statutory and General Information — 4. Summary of Material Contracts") in the Prospectus. In all subsequent listing documents, we will disclose the particulars of any commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital by referencing only these involving the Company and the principal operating subsidiaries of the Group in the same way.

COMPANY SECRETARY

Rule 8.17 of the Listing Rules provides that, amongst other things, the secretary of an issuer must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of secretary of the issuer. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.17 of the Listing Rules on the grounds that we will appoint two joint company secretaries, as follows:

- (a) a Joint Hong Kong Company Secretary, being Ms. Leung Wai Han Corinna who will provide Hong Kong company secretarial support and assistance for an initial period of three years after the Listing Date; and

- (b) a Joint Japanese Company Secretary, being Mr. Toshiharu Fujita who would work closely with and assist the Hong Kong Company Secretary.

Upon the expiry of the three-year period, the qualifications and experience of the Joint Japanese Company Secretary and the need for the on-going assistance of the Joint Hong Kong Company Secretary will be further evaluated by the Company, and the Company will then endeavour to demonstrate to the Hong Kong Stock Exchange's satisfaction that the Joint Japanese Company Secretary, having had the benefit of the Joint Hong Kong Company Secretary's assistance for the immediately preceding three years, has acquired "relevant experience" within the meaning of Rule 8.17(3) of the Listing Rules such that a further waiver from Rule 8.17 of the Listing Rules will not be necessary.

APPOINTMENT OF AUDITOR

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 13.88 of the Listing Rules. The requirement of Rule 13.88 of the Listing Rules that the Company must obtain approval from the shareholders at each annual general meeting to appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting is inconsistent with the requirement under the Companies Act. Japanese law is consistent with the position that an auditor may not be removed prior to the end of its term without the approval of shareholders at a shareholders' meeting.

Under the Companies Act, the appointment and removal of an auditor are both subject to shareholders' approval. However, in the case of the reappointment of an auditor, the Companies Act provides that the reappointment at the end of each one-year period is automatic unless the shareholders resolve at the annual general meeting to remove such auditor. As disclosed in the Prospectus, under the Companies Act, a shareholder that holds at least 1% of the voting rights of a company (and has done so for at least six months) may propose an agenda at a shareholders' meeting to appoint or remove an auditor and any shareholder that holds at least 3% (and has done so for at least six months) may propose convocation of a shareholders' meeting at any time. As such, there is already a mechanism in place in Japan for the removal of auditors that shareholders do not feel is suitable.

The Company believes the difference between the position under Rule 13.88 and the position in Japan to be immaterial, as shareholders of the Company may still remove or appoint an auditor at a shareholders' meeting.

PROPERTY VALUATION

Section 342(1)(b) of the Companies Ordinance requires a prospectus issued by the Company, being a non-Hong Kong Company, to include (among other things) a valuation report in respect of all of the Company's interests in land and buildings, which shall contain detailed particulars specified in

paragraph 34(2) of the Third Schedule to the Companies Ordinance. Rule 5.01 of the Listing Rules provides that valuations of and information on all of a listing applicant's interests in land or buildings are required to be included in the prospectus. Rule 5.06(1) and (2) of the Listing Rules provides that a valuation report should normally contain a description of each property, which shall include particulars specified by that rule. Paragraph 3(a) of Practice Note 16 of the Listing Rule provides that new applicants are required to set out full valuation reports in respect of properties legally and beneficially owned by them in the prospectus.

Accordingly, we have applied for and obtained from the SFC a certificate of exemption under Section 342A(1) from strict compliance with paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance. We have also applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Rules 5.01 and 5.06(1) and (2) and paragraph 3(a) of Practice Note 16 of the Listing Rules (the "**Relevant Requirements**"), such that the valuation report set out in Appendix IV to the Prospectus may cover only:

- (a) a full valuation as of 31 December 2010 of all of the properties (with the exception of 5 immaterial properties (the "**Small Properties**")) legally owned by the Group (mainly consisting of residential and commercial properties located in Japan), comprising 16 properties in total, (the "**Owned Properties**") in compliance with the Relevant Requirements; and
- (b) a full valuation as of 31 December 2010 of the 29 properties for sale or under development by the Company (the "**Property Development Inventory**") in compliance with the Relevant Requirements.

An exemption is also granted from the requirement to have a full valuation as of 31 December 2010 of 230 properties leased and 52 properties sub-leased by the Group (the "**Waiver Properties**").

We can confirm that since 31 December 2010 and until the Latest Practicable Date, there has been no significant acquisition or disposal in the portfolio of properties of the Group.

The grounds for applying for such waiver and exemption are that strict compliance would be unduly burdensome and the waiver and exemption would not prejudice the interests of the investing public because (i) the Company does not assign a book value to the Waiver Properties; and (ii) as at 31 December 2010, the aggregate net book value of the Small Properties was ¥2,579 million and each of the Waiver Properties had a book value of zero. Together such properties, comprise of approximately 0.21% of the total asset value of the Group. As such, they represent limited value in relation to the total value of the Group. Further, the Sponsor and ourselves are of the opinion that as at 31 December 2010, none of the Waiver Properties or the Small Properties of the Group are individually or collectively crucial and material to the Group in terms of total net sales and total rent and occupancy expenses.

The waiver and exemption from strict compliance with the Relevant Requirements is subject to the condition that the following disclosures are included in the Prospectus:

- (a) a full valuation as of 31 December 2010 of the Owned Properties (as set out in Appendix IV to the Prospectus);
- (b) a full valuation as of 31 December 2010 of the 29 properties in the Property Development Inventory (as set out in Appendix IV to the Prospectus);
- (c) appropriate commentary on the terms of the leases in respect of the Waiver Properties, including the duration and whether there is any restriction on alienation, in the manner set out in Appendix IV to the Prospectus;
- (d) a statement that “The Sponsor and the Company are of the opinion that, as of 31 December 2010, none of the Waiver Properties or the Small Properties of the Group are individually or collectively crucial and material to the Group,” together with the basis of such opinion in the Prospectus;
- (e) a statement that “The Company confirms that since 31 December 2010 and until the Latest Practicable Date, there had been no significant acquisition or disposal in the portfolio of properties of the Group”; and
- (f) a list of all the Waiver Properties and the Small Properties, including the addresses and their respective usage, in the same form and manner set out in Appendix IV to the Prospectus.

PRACTICE NOTE 15 OF THE LISTING RULES

Practice Note 15 of the Listing Rules sets out the principles which the Hong Kong Stock Exchange applies when considering proposals submitted by a listed issuer to effect a separate listing of any of its subsidiaries.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the provisions of Practice Note 15 with respect to any spin-off listings of any of our subsidiaries on any stock exchange that we may decide to undertake from time to time, on the basis that we will:

- (a) observe the principle set out in paragraph 3(c) of Practice Note 15 that after the spin-off listing, our Company would retain a sufficient level of operations and sufficient assets to support our Company’s separate listing status;
- (b) observe the principles set out in paragraph 3(d)(i) to (iv) of Practice Note 15 relating to clear delineation of business between our Company and the spun-off entity, ability of the spun-off entity to function independently of our Company, clear commercial benefits to both our Company and the spun-off entity in the spin-off, and no adverse impact on the interests of our Shareholders resulting from the spin-off; and
- (c) in the announcement to be issued by our Company pursuant to Rule 13.09(1) disclosing the spin-off proposal, (i) confirm that our Company would retain a sufficient level of operations and sufficient assets to support the separate listing status; and (ii) explain how our Company is able to meet the principles set out in paragraph 3(d)(i) to (iv) of Practice Note 15.

BOARD COMPOSITION

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 3.10A and 3.11 of the Listing Rules in respect of the appointment of independent non-executive directors (the “INED”) representing at least one-third of the Board.

The Company has adopted a Statutory Auditors system (*kansayaku kai*). The Companies Act requires all Japanese companies with a board to have at least one statutory auditor, and in the case of large companies (such as the Company), to have an audit board comprising three or more statutory auditors (all of which must meet the independence requirements under the Companies Act). Under this system, the primary decision making body of the Company is the Board, which is monitored by the Company’s Board of Statutory Auditors. The Company believes Japanese laws offer a level of protection to shareholders of the Company that are at least commensurate with those being offered by the INEDs in Hong Kong and that shareholders of the Company are adequately protected through (i) the Statutory Auditors system and (ii) the existence of at least three INEDs on the Board of Directors at all times.

The Company has undertaken to the Hong Kong Stock Exchange that it will: (i) ensure that at least a majority of the Company’s statutory auditors are able to meet the independence criteria contained in Rule 3.13 of the Listing Rule in accordance with the waiver from strict compliance with Rules 3.21 to 3.22 obtained by the Company at the listing and (ii) have at least three independent non-executive directors on the Board going forward (for so long as its securities remain listed on the Hong Kong Stock Exchange).

AUDIT COMMITTEE

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 3.21 to 3.22 of the Listing Rules and the applicable provisions of paragraph C.3 of Appendix 14 of the Listing Rules, which concern the establishment, role and responsibilities of an audit committee of a listed issuer. The role performed by an audit committee established pursuant to the Listing Rules is carried out by the Board of Statutory Auditors in Japan, who will continue to perform this role for the Company after Listing.

The Board of Statutory Auditors is comprised of four Statutory Auditors who are responsible for auditing the executive actions of the Directors, including ensuring the continuance of a sound corporate governance system, and additionally have a broad authority to oversee the Company’s audit functions, including independently reviewing corporate documentation and financial statements and sharing information with, co-ordinating with and interviewing the accounting auditors and dealing with any issues arising from the Company’s audit. The Company’s Statutory Auditors biographies can be found at the section entitled “Directors and Senior Management — Statutory Auditors” in the Prospectus.

The specific roles and responsibilities of the Statutory Auditors and the Board of Statutory Auditors correspond closely to those required to be provided by an audit committee of a listed issuer under the Listing Rules. The Rules and Standards, which provide the internal rules and duties for the Statutory Auditors, as defined in the section entitled “Directors and Senior Management — Statutory Auditors” in the Prospectus, are not materially different from either paragraph C.3.3 of Appendix 14 of the Listing Rules and the specimen terms of reference provided by “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants in February 2002. Further, the Articles and the FIEA, including, a legislative framework known informally as “J-SOX” which obliges all listed companies in Japan to strengthen internal controls and ensure full and accurate disclosure of financial information, provide additional rules and guidelines for the Statutory Auditors to follow. The Board of Statutory Auditors is able to comply with paragraph C.3 of Appendix 14 of the Listing Rules and the Company will disclose in accordance with Rule 3.25 of the Listing Rules when it is unable to comply with C.3 of Appendix 14 of the Listing Rules.

The main difference between an audit committee constituted under Rule 3.21 of the Listing Rules and the Board of Statutory Auditors is that Statutory Auditors are not permitted to concurrently act as Directors or employees of the Company or any of its subsidiaries, nor as Executive Officers or accounting advisers to any subsidiary of the Company, as they are intended to be independent of the Board of Directors. Thus, pursuant to Article 335(2) of the Companies Act, no Statutory Auditor may be a Director. However, Statutory Auditors owe fiduciary duties and have a duty of care to the Company in a similar way to a Director under Japanese law. We will make an announcement on the appointment or resignation of Statutory Auditor of the Company.

The Hong Kong Stock Exchange has agreed to grant us this waiver subject to:

- (a) our continued compliance with our existing obligations under Japanese law and regulations in respect of Statutory Auditors;
- (b) our disclosure in the Prospectus and our interim and annual reports the terms of the grant of this waiver from the provisions of Rules 3.21 to 3.22 of the Listing Rules (which will include a summary of the roles performed by the Statutory Auditors, their composition and a statement as to the comparative functions of the Board of Statutory Auditors compared to an audit committee constituted in accordance with the Listing Rules);
- (c) our undertaking to inform the Hong Kong Stock Exchange and publish an announcement as soon as practicable upon the appointment or resignation of a Statutory Auditor of the Company; and
- (d) the Statutory Auditors having agreed to undertake as follows:
 - (i) to amend the Rules and the Standards to ensure that (A) at least one Statutory Auditor nominated for appointment to the Board of Statutory Auditors will have the appropriate accounting or related financial management expertise as defined in Rule 3.10(2) of the Listing Rules; (B) a majority of the Statutory Auditors of the Company, including the chairman of the Board of Statutory Auditors, are able to

meet the independence criteria contained in Rule 3.13 of the Listing Rules for the duration of the Company's listing on the Hong Kong Stock Exchange; and (C) the Standards comply with the consultation paper on review of the code on corporate governance practices and associated listing rules published in December 2010 by the Hong Kong Stock Exchange which proposed that audit committees should meet at least twice a year with the issuer's external auditor and certain other changes to ensure best practice in internal control and whistle-blowing (a translation of the Rules and the Standards, as amended, are available for inspection, see "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" to the Prospectus);

- (ii) for as long as the Company is listed on the Hong Kong Stock Exchange:
 - (A) not to make any changes to the Rules and Standards (as amended) to reverse any such amendments; and
 - (B) to ensure that any new Statutory Auditor appointed will provide an undertaking not to make any changes to the Rules and Standards (as amended) to reverse any of the amendments; and
- (iii) to grant the Hong Kong Stock Exchange a set of undertakings in respect of their compliance with their statutory duties and obligations.

For more details on the role of the Statutory Auditors, please see the section entitled "Directors and Senior Management — Corporate Governance" in the Prospectus.

REMUNERATION COMMITTEE

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 3.25 to 3.27 of the Listing Rules with respect to the establishment of a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. As we have appointed a Board of Statutory Auditors, the Board of Directors will perform the role of a remuneration committee to determine the remuneration of Directors and senior management in accordance with the Companies Act and the Company will not put in place a separate committee.

The Board has established a set of rules for the compensation of its officers which set out the remuneration standards and policies of the Company for its Directors and senior management. The Compensation Rules are not materially different from the terms of reference for a remuneration committee provided in paragraph B.1.2 of Appendix 14 of the Listing Rules and provide a formal and transparent process for the determination of remuneration. Further, even though the Board of Directors will voluntarily perform the role of the remuneration committee, the maximum amount of remuneration, the method for calculation of remuneration, and the type and amount of remuneration to be paid to Directors and Statutory Auditors must be determined by the Shareholders of the Company.

Where the Compensation Rules depart from the provisions of paragraph B.1 of Appendix 14 of the Listing Rules is that they permit the Board of Directors of the Company to delegate the responsibility of determining the remuneration for its Directors and Statutory Auditors on an annual basis to the Representative Director, who may also determine his own remuneration, although no other Director of the Company is entitled to determine his/her own remuneration. Further, the composition of the Board of Directors does not meet the requirement in Rule 3.25 of the Listing Rules that a majority of its members are independent non-executive directors (the current Board of Directors possess 17 Directors of whom 5 are independent). However, neither of these distinctions from Rule 3.25 and paragraph B.1 of Appendix 14 of the Listing Rules is deemed to be material on the basis that the Shareholders of the Company have the ultimate right to determine the remuneration of the Directors and Statutory Auditors.

The Hong Kong Stock Exchange has agreed to grant us this waiver subject to:

- (a) our continued compliance with our existing obligations under Japanese law and regulations in respect of the determination of the remuneration of Directors and senior management; and
- (b) our disclosure in our interim and annual reports of the details of this waiver from Rules 3.25 to 3.27 and the provisions of paragraph B.1 of Appendix 14 of the Listing Rules in compliance with the disclosure requirements in the introduction to the Appendix 14 of the Listing Rules.

CONTENT REQUIREMENTS OF FINANCIAL STATEMENTS

The Company has applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with certain content requirements in Appendix 16 of the Listing Rules with respect to the Company's financial statements. Such waiver was valid until the Company prepares its financial statements for the financial year ended 31 March 2013. Given that the Company has already switched from JGAAP to IFRS for its financial statements, the waiver obtained with respect to Appendix 16 is no longer applicable.

DISCLOSURE OF INTEREST

The Securities and Futures Commission has partially exempted the Company and its shareholders (except for any director or chief executive) from compliance with Part XV of Securities and Futures Ordinance (other than Division 5, 11 and 12 of Part XV thereof) in respect of the Company's issue and listing of its HDRs on the Hong Kong Stock Exchange.

Conditions

This partial exemption is granted on the conditions that:

- (a) the Company shall file with the Hong Kong Stock Exchange all disclosure of interests

made in Japan by its substantial shareholders as soon as practicable on the basis that the Hong Kong Stock Exchange will publish these disclosures in the same way as those it receives from other listed corporations pursuant to Part XV; and

- (b) the Company shall advise the SFC if there is any material change in any of the information which the Company has given the SFC, including any significant change to the disclosure requirements in Japan.

VOLUNTARY MEASURES

<u>Relevant Rule for which a voluntary measure has been adopted</u>	<u>Subject Matter of the Rule</u>	<u>Page No</u>
Rules 6.12(1), 6.13, 7.19(6)(a), 7.19(7), 7.19(8), 7.21(2), 7.24(5)(a), 7.24(6), 7.24(7), 7.26A(2), 13.36(4)(a), 13.36(4)(b) and 17.04(1) of the Listing Rules	Material interest in a transaction	49-50

MATERIAL INTEREST IN A TRANSACTION

Rule 2.15 of the Listing Rules requires that where a transaction or arrangement of an issuer is subject to shareholders' approval under the provisions of the Listing Rules, any shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the shareholders' meeting. Further, the principle set out in Rule 2.15 has also been applied specifically in Rules 6.12(1), 6.13, 7.19(6)(a), 7.19(7), 7.19(8), 7.21(2), 7.24(5)(a), 7.24(6), 7.24(7), 7.26A(2), 13.36(4)(a), 13.36(4)(b) and 17.04(1) of the Listing Rules, as well as in certain rules contained in Chapter 14 and Chapter 14A of the Listing Rules (as noted earlier in the section entitled "Notifiable and Connected Transactions" in this "Waivers" section of the Prospectus) to shareholders with a material interest or who are connected persons of the Company (and who are thus deemed to have a material interest in the relevant transaction pursuant to the Listing Rules) (the "**Abstention Rules**").

With the exception of share repurchases made in compliance with the Companies Act, the requirement that certain shareholders must abstain from voting in respect of certain transactions is contrary to Japanese law. Under the Companies Act, each shareholder of a Japanese corporation is entitled to a single vote in respect of each share or each unit of shares (where the unit share system is adopted) that they hold in a company and, with the exception of the requirement that shareholders whose shares are to be purchased by the relevant company pursuant to a share repurchase must abstain from voting, there are no circumstances provided in the Companies Act or the Articles, in which this right may be restricted.

In order to provide partial compliance with Rule 2.15 of the Listing Rules (and the Abstention Rules in general, as applicable) we have agreed with the Hong Kong Stock Exchange that we will undertake the following process (the "**Abstention Process**") at Shareholders' meetings:

- any contract or arrangement in respect of a transaction that must be approved at a shareholders' meeting under the Companies Act will contain a condition precedent that the relevant transaction will only be implemented by the Company if it has obtained confirmation from the Expert (defined below) that the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain in accordance with the Listing Rules;
- the Company will convene a Shareholders' meeting to seek Shareholders' approval pursuant to the condition precedent in the transaction contract;
- Shareholders who are required to abstain from voting in accordance with the Listing Rules may vote and all votes cast, including votes of the Shareholders who are required to abstain from voting, will be counted pursuant to the requirements of the Companies Act;
- the Company will appoint its compliance adviser or another third party (the "**Expert**") to verify that the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain from voting in accordance with the Listing Rules; and
- upon such confirmation only, the Company will proceed with implementing the relevant transaction. If the Expert cannot provide the relevant confirmation, the condition precedent will not be satisfied and the transaction will not proceed.

We believe that the Abstention Process will not be contradictory to any applicable provisions of Japanese law or any regulations concerning shareholders' meetings in Japan and will not be subject to challenge by the relevant regulatory authorities on the basis that the counting method under the Companies Act will still be used to confirm whether a resolution were passed at a shareholders' meeting, but instead we would subject its implementation of a transaction to a reasonable contractual pre-condition. Thus, our implementation of the Abstention Process is compliant with Japanese law.

The Sponsor will act as the Expert for the period commencing on the Listing Date until the date upon which we publish our financial results for the first full financial year commencing after the Listing Date. Thereafter, we will either retain the Sponsor to fulfill the role of Expert at each relevant Shareholders' meeting; or, alternatively, on each occasion that we are required to convene a Shareholders meeting we will appoint an independent financial or an independent legal adviser to act as the temporary Expert.

Where applicable, we will provide details of the Abstention Process, the identity of the Expert, the aggregate number and percentage amount of Shares or HDRs held by Shareholders or HDR Holders respectively having a material interest in the relevant transaction or arrangement and the terms upon which the relevant resolution may be passed in the convocation notice circulated in respect of a Shareholders' meeting to approve a transaction.

B. FOREIGN LAWS AND REGULATIONS

2. TSE AND OSE LISTING REGULATIONS

Shares of the Company are listed on the TSE and the OSE and the Company is subject to the rules and regulations of the TSE and the OSE. The following is a summary of certain rules and regulations of the TSE and the OSE that may be relevant to investors.

Disclosure Requirements

To ensure the formation of fair market prices and to foster the sound development of a securities market, the TSE and OSE require companies whose shares are listed on them to disclose in a timely manner all material information concerning corporate matters that may influence the investment decision making of investors under the Listing Rules of the TSE (“**TSE Listing Regulations**”) and the Listing Rules of the OSE (“**OSE Listing Regulations**”).

The following is a summary of the matters that must be disclosed by a listed company under the TSE Listing Regulations and OSE Listing Regulations. In each case they need to be disclosed immediately pursuant to the provisions of the enforcement rules of the TSE Listing Regulations and OSE Listing Regulations (unless they are items that the TSE and the OSE deem as matters whose effect on investors’ investment decisions is of minor significance). The scope of the necessary disclosure obligations imposed by the TSE Listing Regulations and the OSE Listing Regulations are substantially the same. Where there are material differences in disclosure requirements between the TSE Listing Regulations and the OSE Listing Regulations, we have identified them in the following summary.

Decisions taken by a listed company (including where decisions are taken to not carry out the matters relating to the relevant decision)

- (a) An offering of shares issued by a listed company or Treasury Shares to be disposed of by a listed company to persons who will subscribe for such shares, an offering of subscription warrants, or a secondary offering of shares or subscription warrants;
- (b) Shelf-registration (including its withdrawal) concerning to an offering or secondary offering prescribed in (a) above or commencement of a demand survey for such offering or secondary offering;
- (c) A decrease in amount of capital;
- (d) A decrease in amount of capital reserve or profit reserve;
- (e) Repurchase of Shares;
- (f) (i) A gratis allotment of shares or a gratis allotment of subscription warrants;
- (ii) Shelf-registration (including its withdrawal) pertaining to a gratis allotment of shares or a gratis allotment of subscription warrants prescribed in (f)(i) above or commencement of a demand survey or survey of the likelihood of exercise of the subscription warrants for such gratis allotment of subscription warrants pertaining to such shelf registration;

- (g) Stock split or reverse stock split;
- (h) Dividend from surplus;
- (i) Share exchange;
- (j) Share transfer;
- (k) Merger;
- (l) Demerger;
- (m) Transfer or acquisition of all or part of the business;
- (n) Dissolution (excluding dissolution by means of a merger);
- (o) Commercialisation of a new product or new technology;
- (p) Business alliance or dissolution of business alliance;
- (q) A transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;
- (r) Transfer or acquisition of fixed assets;
- (s) Lease of fixed assets;
- (t) Suspension or abolition of all or part of the business;
- (u) Application for delisting or withdrawal of registration of Shares to a Japanese stock exchange or an overseas stock exchange;
- (v) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganisation proceedings;
- (w) Commencement of a new business (including commercialisation of sales of new products or provision of new services);
- (x) A takeover bid;
- (y) Request for a bid or any other onerous acquisition to compete with a takeover bid or an announcement of an opinion or a representation to shareholders concerning a takeover bid;
- (z) Issue of subscription warrants to officers or employees of a listed company or its subsidiaries, or any other grant of anything deemed to be a stock option or an issue of shares;
- (aa) Change in representative directors or representative executive officers (including officers who should represent a cooperative structured financial institution);
- (ab) Rationalisation such as a reduction in personnel;
- (ac) Change in a trade name or a corporate name;
- (ad) Change in the number of shares for a share unit of a stock or abolition or introduction of the provisions for the number of shares for a share unit;

- (ae) Change in the end date of the business year;
- (af) Petition pursuant to the provisions of the Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended);
- (ag) Petition for mediation in accordance with specified mediation procedures on the basis of the Act on Specified Mediation for Promoting Adjustment of Specified Liabilities, etc. of Japan (Act No.158 of 1999);
- (ah) Early redemption of all or part of a listed bond, listed convertible bond or listed exchangeable corporate bond or convocation of a bondholders meeting and any other important matters relating to rights concerning a listed bond, listed convertible bond or a listed exchangeable corporate bond;
- (ai) Matters accompanied by an increase in the total number of units of ordinary equity contributions⁽¹⁾;
- (aj) Change in certified public accountants who prepare audit certification of financial statements or quarterly financial statements contained in a securities report or a quarterly report;
- (ak) Putting notes on matters relating to the going concern assumption in financial statements, etc. or quarterly financial statements, etc.;
- (al) Shareholder services will not be entrusted to a shareholder services agent approved by the TSE or the OSE;
- (am) Submission of internal control reports containing content to the effect that there is a material deficiency in the internal control system or that the evaluation result of the internal control system cannot be stated;
- (an) Amendment to the articles of incorporation;
- (ao) Change in contents and other schemes of a listed stock without voting rights, a listed stock with voting rights (limited to such stock issued by a company which issues multiple classes of stocks with voting rights), or a listed preferred stock (excluding a stock whose dividends are linked to a subsidiary)⁽¹⁾;
- (ap) Change in the agreement regarding the business plan and specified business of a company listed on the Private Finance Initiative market at the OSE⁽²⁾; or
- (aq) In addition to the matters referenced in (a) through to the preceding (ap) (as applicable to the TSE or the OSE), important matters related to operation, business or assets of such listed company or such listed stock, etc. which have a remarkable effect on investors' investment decisions.

Facts arising relative to a listed company

- (a) Damage arising from a disaster or damage which occurs in the course of business execution;
- (b) Change in major shareholders;
- (c) A fact which causes delisting of a specified security or options pertaining to a specified security;

- (d) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;
- (e) Where a petition for a provisional disposition order seeking suspension of a business or any other disposition corresponding thereto is made, or there is a judicial decision on such petition, or all or part of the procedures for such petition are completed without a judicial decision;
- (f) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to these on the basis of laws and regulations by an administrative agency or accusation of violation of laws and regulations by an administrative agency;
- (g) Change in controlling shareholders or other affiliated companies;
- (h) Petition or notification for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganisation proceedings, or execution of an enterprise mortgage by a creditor or any person other than such listed company ("**Bankruptcy**");
- (i) Dishonor of a bill or a cheque (limited to where the reason is a shortage of funds to be paid) or suspension of trading by a clearing house ("**Dishonor**");
- (j) Petition for commencement of Bankruptcy pertaining to a parent company;
- (k) As a result of an occurrence of a Dishonor, Bankruptcy or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where accounts receivable, loans or other receivables or such guarantee obligations against such debtors;
- (l) Suspension of trade with a main business partner (meaning a business partner with more than 10% of the total sales or of the total purchase amount in the previous business year; the same shall apply hereinafter) or suspension of trade with two or more business partners for the same reason or in the same period;
- (m) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE or the OSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;
- (n) Discovery of resources;
- (o) Claim for suspension of issue of a stock or a subscription warrant or disposition of treasury stock by shareholders;
- (p) Demand for convocation of a general shareholders' meeting by shareholders;
- (q) Market value of all or part of the securities held (limited to securities listed on a domestic stock exchange other than a

share of a subsidiary of such listed company) falls below book values as of the end of a business year or a quarterly accounting period (an amount of value calculated on the basis of the closing prices of a stock exchange on such day (where no such closing prices are available, the closing prices of a stock exchange on a preceding day)) (limited to where such listed company adopts cost method as an evaluation method of securities);

- (r) Acceleration of obligations pertaining to a corporate bond;
- (s) Convocation of a meeting of bondholders for a listed bond, listed convertible bond or listed exchangeable corporate bond and other important facts pertaining to rights of a listed bond, listed convertible bond or listed exchangeable corporate bond;
- (t) Change in certified public accountants who prepare an audit certification, of financial statements, or quarterly financial statements, contained in a securities report or a quarterly report (excluding a case of disclosing the details pursuant to the provisions of the preceding item, where a body of a listed company which decides its business execution makes a decision on changing such certified public accountants, (including cases where the body makes a decision that it will not carry out matters pertaining to such decision));
- (u) A securities report or a quarterly review report to which audit reports or quarterly review reports prepared by two (2) or more certified public accountants or audit firms (including audit reports or interim audit reports pertaining to certification corresponding to audit certification by certified public accountants or audit firms) are attached is not expected to be submitted within the period specified in the FIEA or has not been submitted within such period (except cases where the company has disclosed that such report is not expected to be submitted within such period), was submitted after such disclosure had been made, or has received approval related to extension of such period;
- (v) The fact that an audit report attached to financial statements, or a quarterly review report attached to quarterly financial statements has come to contain a “qualified opinion with exceptions” or “qualified conclusion with exceptions” of certified public accountants with making issues concerning a going concern assumption as exceptions, or an “adverse opinion”, “negative conclusion”, or a fact that “opinions are not expressed” or a fact “conclusions are not expressed” by a certified public accountant (in cases of a specified business company, these shall include a “qualified opinion with exceptions”, an “opinion that interim financial statements, etc. do not provide useful information”, and a fact that “opinions are not expressed” by a certified public accountant, etc. with making issues concerning a going concern assumption as exceptions);
- (v-2) An internal control audit report regarding an internal control report has come to contain an “adverse opinion” or a fact that “opinions are not expressed”;
- (w) Where a notice of canceling a shareholder services agent agreement is received, there is a likelihood that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE or the OSE, or it has

decided not to entrust that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE/OSE;

- (x) Change in the basic agreement among shareholders regarding the specified business of a company listed on the Private Finance Initiative market at the OSE⁽²⁾; or
- (y) In addition to the facts referenced in (a) through to the preceding (x) (as applicable to the TSE or the OSE), matters relating to operation, business or assets of such listed company or important matters related to a listed stock, etc. which have a remarkable effect on investors' investment decisions

Decisions taken by subsidiaries, etc. of a listed company (including where decisions are taken not carry out the matters relating to such decision)

- (a) Share exchange;
- (b) Share transfer;
- (c) Merger;
- (d) Demerger;
- (e) Transfer or acquisition of all or part of the business;
- (f) Dissolution (excluding dissolution by means of a merger);
- (g) Commercialisation of a new product or new technology;
- (h) Business alliance or dissolution of business alliance;
- (i) Transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;
- (j) Transfer or acquisition of fixed assets;
- (k) Lease of fixed assets;
- (l) Suspension or abolition of all or part of the business;
- (m) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganisation proceedings;
- (n) Commencement of a new business;
- (o) A takeover bid;
- (p) Change in a trade name or a corporate name;
- (q) Petition pursuant to the provisions of the Deposit Insurance Act;
- (r) Petition of arbitration by specific mediation procedures on the basis of the law on specified mediation for promoting adjustment of specified obligations, etc.;
- (s) Change in the agreement regarding the specified business of a company listed on the Private Finance Initiative market at the OSE⁽¹⁾; or
- (t) In addition to the matters referenced in (a) through to the preceding (s) (as applicable to the TSE or the OSE), important matters related to operation, business or assets of a subsidiary of such listed company which have a remarkable effect on

investors' investment decisions

Facts arising relative to subsidiaries, etc. of a listed company

- (a) Damage arising from a disaster or damage which occurs in the course of business execution;
- (b) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;
- (c) Where a petition for a provisional order seeking suspension of a business or any other disposition corresponding to this is made or there is a judicial decision on such petition or all or part of the proceedings for such petition are completed without a judicial decision;
- (d) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to them on the basis of laws and regulations made by an administrative agency or accusation of violation of laws and regulations made by an administrative agency;
- (e) Petition for the commencement of Bankruptcy by a creditor or any other person other than such subsidiary;
- (f) Dishonor;
- (g) Petition for the commencement of Bankruptcy pertaining to a sub-subsidiary;
- (h) As a result of an occurrence of a Dishonor, Bankruptcy or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where these are accounts receivable, loans or other receivables or such guarantee obligations against such debtors;
- (i) Suspension of trade with a main business partner or suspension of trade with two or more business partners for the same reason or in the same period;
- (j) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE/OSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;
- (k) Discovery of resources;
- (l) Change in the basic agreement among shareholders regarding the specified business of a consolidated subsidiary of a company listed on the Private Finance Initiative market at the OSE⁽²⁾; or
- (m) In addition to the facts referenced in (a) through to the preceding (l) (as applicable to the TSE or the OSE), important matters relating to operation, business or assets of such subsidiary which have a remarkable effect on investors' investment decisions.

Decisions taken by a linked subsidiary of a listed company / Facts arising relative to a linked subsidiary of a listed company⁽¹⁾

- (a) Where a body which decides the business execution of a linked subsidiary decides to carry out certain transactions with such linked subsidiary; or
- (b) on the occurrence of certain events to a linked subsidiary.

Information concerning the settlement of accounts of a listed company

- (a) The details of the account settlement (annual and quarterly) using Earnings Reports (*Shihanki Kessan Tanshin*) (Summary) or Quarterly Earnings Reports (*Kessan Tanshin*) (Summary)
- (b) Difference in estimated values newly calculated by a listed company or certain subsidiary of it compared to the last estimated values calculated by the listed company or the subsidiary with respect to sales, operating profits, ordinary profits or net income
- (c) The details of an estimated value of dividend calculated by a listed company

Notes:

- (1) Notes a matter not included in the OSE Listing Regulations.
- (2) Notes a matter not included in the TSE Listing Regulations.

Although the TSE Listing Regulations and the OSE Listing Regulations provide an extensive list of disclosure requirements, the TSE Listing Regulations and the OSE Listing Regulations also require listed companies to disclose important matters related to the operations, business or assets of such a listed company or its listed stock which have a remarkable effect on investors' investment decisions. This broad disclosure requirement means that issuers listed on the TSE and the OSE are required to announce any material events affecting them.

Corporate matters to be disclosed under the TSE Listing Regulations and the OSE Listing Regulations shall generally be carried out using Timely Disclosure Network ("TDnet"). TDnet is an electric disclosure system and information disclosed under the TSE Listing Regulations and the OSE Listing Regulations by a listed company must be made available for public inspection for five years from the date of disclosure through the TDnet database service, such inspection being subject to fees. If the TSE or the OSE deem that a listed company has breached the provisions regarding timely disclosure, such company may be delisted.

Criteria for Delisting

A listed issuer on the TSE or the OSE may be delisted based on its own application and also under certain conditions as set forth in the criteria for delisting stocks in the TSE Listing Regulations and the OSE Listing Regulations.

In particular, the TSE and the OSE may delist a listed issuer if the listed issuer imposes restrictions on transfers of its shares.

The TSE and the OSE may also see fit to delist a listed issuer in the event that:

- (a) the listed issuer commits a material breach of the TSE Listing Regulations or the OSE Listing Regulations, as the case may be;
- (b) the number, market capitalisation or public float of shares falls below the prescribed level;
- (c) the issuer has liabilities in excess of assets as of the end of the business year and the liabilities in excess of assets are not cleared within a year;
- (d) the issuer suspends its business activities; or
- (e) the TSE or the OSE deems that delisting of the securities is appropriate for the public interest or the protection of investors.

Protection of Minority Shareholders

The TSE Listing Regulations and the OSE Listing Regulations require a listed company to establish a policy to protect minority shareholders ("**Policy for Protection of Minority Shareholders**") when the company has Controlling Shareholders (as defined below and such definition only applies to this section). The Policy for Protection of Minority Shareholders is required to include (i) a policy for establishment of a corporate structure; (ii) a decision making process; and (iii) a utilisation of external independent bodies, for the purpose of protection of minority shareholders, in accordance with the Guide on Preparation of Corporate Governance Reports.

A "Controlling Shareholder" under the TSE Listing Regulations and the OSE Listing Regulations means a parent company or a main shareholder (other than the parent company) who holds the majority of voting rights of a listed company after combining the voting rights held for its own account and the voting rights held by any of the entities specified in the following items:

- (a) a close relative of said main shareholder (meaning a relative within the second degree of kinship); and
- (b) a company (including a company, designated corporation, partnership, or other similar entities (including foreign entities that are equivalent to these entities)) whose majority voting rights are held by said main shareholder and a close relative specified in (a) above, and a subsidiary of said company

Further, the TSE Listing Regulations and the OSE Listing Regulations require listed companies to disclose certain matters regarding Controlling Shareholders, including the company's policy towards them and details of transactions with them, in the corporate governance report ("**Corporate Governance Report**") and other disclosure documents. The TSE and the OSE also requires a listed company to submit a report without delay any change has occurred in the information in a Corporate Governance Report. Furthermore, the TSE and the OSE require a listed company that has Controlling Shareholders to disclose matters including the following within three months from the last day of the fiscal year:

- (a) the trade name or corporate name of the parent company, the holding ratio of the parent company with respect to the voting rights of the listed company, and where applicable the trade name or corporate name of the stock exchange in Japan on which the stocks issued by the parent company or the foreign stock exchange on which the stocks issued by the parent company are listed or continuously traded;
- (b) in cases where the TSE or the OSE approve exemption from disclosure of certain matters regarding Controlling Shareholders of the parent company, the reason for such approval;
- (c) the position of the parent company within the corporate group and relationship with the other parent companies;
- (d) matters related to transactions with the Controlling Shareholder (including its close relatives and its subsidiaries); and
- (e) the implementation status of the Policy for Protection of Minority Shareholders.

It is conventional to disclose the following in respect of transactions with Controlling Shareholders: (i) name or trade name, (ii) location of head office, (iii) capital stock, (iv) description of business, (v) ratio of holding of voting rights, (vi) relationship with the reporting company, (vii) details of transaction, (viii) the amount of transaction, and (ix) other information such as trade balance at end of the financial year.

Furthermore, where a listed company has Controlling Shareholders and makes a decision to conduct certain material transactions between certain related persons including the Controlling Shareholders, the TSE Listing Regulations and the OSE Listing Regulations require the listed company to obtain an opinion from a person who has no interest in such Controlling Shareholder that any decision on the matters will not be detrimental to the interests of minority shareholders of the listed company.

In addition, under the TSE Listing Regulations and the OSE Listing Regulations, if a third-party allotment that causes a dilution ratio of voting rights in excess of 300% is determined by the board of directors of a listed company, the company will be delisted, unless the TSE or the OSE deem that the risk of such third-party allotment has little likelihood of harming the interests of investors. Under the TSE Listing Regulations and the OSE Listing Regulations, the dilution ratio is, as a general rule, calculated by the following formula:

$$\text{Dilution ratio} = \frac{\text{the number of votes concerning shares to be issued by the third party allotment in question (including the number of potential voting rights)}}{\text{the number of votes concerning issued and outstanding shares before the third party allotment}} \times 100.$$

In addition to the above, the TSE Listing Regulations and the OSE Listing Regulations require a listed company to (i) obtain an opinion from a person who is independent from the management of the company regarding the necessity and appropriateness of any third-party allotment, or (ii) confirm the intention of the shareholders by any means such as a shareholders' meeting in the case of a third-party allotment (1) that causes a dilution ratio of voting rights of 25% or more, or (2) when there is an expectation of a change of a Controlling Shareholder due to such allotment, unless the TSE or the OSE deems that it is difficult for the listed company to conduct any of the procedures under (1) or (2) above due to reasons such as rapidly deteriorating financial situations.

Corporate Structure Requirements

Under the TSE Listing Regulations and the OSE Listing Regulations, a domestic company listed on the TSE or the OSE must establish and appoint (i) a board of directors; (ii) a board of auditors or the three committees (meaning a committee specified in the Companies Act, including a nomination committee, an audit committee and a compensation committee); and (iii) accounting auditors. For the protection of general investors, the TSE Listing Regulations and the OSE Listing Regulations also require a domestic listed company on the TSE or the OSE to appoint at least one independent director/auditor (meaning an outside director (subject to certain requirements under the Companies Act) or outside auditor (subject to certain requirements under the Companies Act) who is unlikely to have conflicts of interest with general investors).

3. JAPANESE CORPORATIONS LAW

Our Company is principally governed by the Companies Act. The Companies Act sets out the legal basis of a company and provides for substantive laws and procedural matters with which a 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 of a company. Our Company is also subject to the FIEA, which regulates securities law in Japan and provides rules for the regulation of, amongst other things, stock exchanges, public tender offers, public disclosure, internal control and financial services. Set out below is a brief summary of the Companies Act and the FIEA, as is applicable, and certain related laws and legislation, each as currently in effect.

(a) Types of companies

(1) Types of companies under the Companies Act

Under the Companies Act, companies are categorised into stock companies (*kabushiki kaisha*) and partnership-type companies (*mochibun kaisha*). A partnership-type company (Part 3 of the Companies Act) is a generic concept that embraces so-called personal companies (*jinteki kaisha*) (that is, companies where there are strong personal connections between its members and where a high degree of flexibility in structuring corporate governance within the organisation is recognised), such as a partnership company (*gomei kaisha*), a limited partnership company (*goshi kaisha*) and a limited liability company (*godo kaisha*). Our Company was formed as a stock company (*kabushiki kaisha*) and descriptions in this section are principally regarding a stock company.

(2) Categories of companies

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

A public company (*kokai kaisha*) 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 kaisha*) is a company where regarding each class of stock issued by it, transfer of any share is restricted under the articles of incorporation. Under the Companies Act, there are certain differences in governance between public companies and non-public companies. Our Company is categorised as a public company.

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*). There are certain differences in governance between large companies and other companies. Our Company is categorised as a large company.

Under the Companies Act, a company may select several types of corporate governance structures. However, under the listing rules of the Japanese stock exchange, a listed company is required to be either (i) a company with a board of statutory auditors or (ii) a company with three committees. Our Company is a company with a Board of Statutory Auditors.

(b) Share capital

(1) 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 issuance of shares. Up to half of this amount is not required to be capitalised, but this amount has to be kept as a capital reserve. The amount of the share capital is subject to registration.

(2) Share certificates

The Companies Act defines a "Company Issuing Share Certificates" 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. A company which does not have provisions in its articles of incorporation to the effect that a share certificate represents its shares will be hereinafter referred to as a "Company Not Issuing Share Certificates". Our Company is categorised as a Company Not Issuing Share Certificates.

In addition, under the Book-Entry Act and the listing rules of stock exchanges, a company listed on the Japanese stock exchange may not issue share certificates. The Shares of our Company are listed on the TSE and the OSE, and the Company does not issue any share certificates.

(3) 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 set by its articles of incorporation. One unit of shares cannot exceed 1,000 shares. Shareholders who hold shares below a unit are entitled to require the company to purchase these shares.

Our Company has not adopted a unit share system. In order to adopt a unit share system, a company is required to amend its articles of incorporation by a special resolution of a shareholders' meeting. However, such special resolution of a shareholders' meeting is not required to amend the articles of incorporation in the case where (i) such adoption is made at the same time as a stock split and (ii) the voting rights of each shareholder are not reduced as a result of such stock split and adoption unit share system.

(4) *Voting rights*

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.

(5) *Variation of rights of existing shares*

In order to change the rights of existing shares, a company is required to amend its articles of incorporation, which requires a special resolution of a shareholders' meeting, as a rule.

(6) *Classes of shares*

The Companies Act permits a company to issue shares with specified rights that are not held by 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 meeting of shareholders of a certain class; and
- (f) matters to be approved at a meeting of shareholders of a certain class as well as a general meeting of shareholders.

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

- (a) shares with the right to claim for repurchase (*shutoku seikyuken-tsuki kabushiki*);
- (b) shares with repurchase clauses (*shutoku joko-tsuki kabushiki*); and
- (c) shares with clauses to repurchase all shares of a certain class (*zenbu shutoku joko-tsuki kabushiki*).

Shares with the right to claim for repurchase (*shutoku seikyuken-tsuki kabushiki*) 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 the articles of incorporation. Shares with repurchase clauses (*shutoku joko-tsuki kabushiki*) 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*) by a special resolution of a shareholders' meeting.

In order to issue the above classes of shares, the details and the number of such shares as can be issued need to be specified in the articles of incorporation.

(7) *Stock split, gratuitous allocation of stock and reverse stock split*

Stock Split

A company may at any time split shares on issue into a greater number by a resolution of the board of directors. Under the Book-Entry Act, on the effective date of the stock split, the numbers of shares recorded in all accounts held by the company's shareholders at Account Managing Institutions will be increased in accordance with the applicable ratio.

Gratuitous Allocation of stock

Under the Companies Act, a company may allot any class of shares to the company's existing shareholders without any additional contribution by resolution of the board of directors, or gratuitous allocation; provided that, although treasury stock may be allotted to shareholders, any such gratuitous allocation will not accrue to any treasury stock. On the effective date of the gratuitous allocation, the number of shares registered in accounts held by the company's shareholders at Account Managing Institutions will be increased in accordance with a notice from the company to JASDEC according to the Book-Entry Act.

Reverse Stock Split

A company may at any time consolidate its shares into a smaller number of shares by a special resolution of the general meeting of shareholders. Under the Book-Entry Act, on the effective date of the reverse stock split, the numbers of shares recorded in all accounts held by the Company's shareholders at Account Managing Institutions will be decreased in accordance with the applicable ratio.

(8) Transfer of shares

In principle, shares are freely transferable, but companies may place a restriction on the transfer of shares, for example, by making such transfer subject to the approval of the company. Transfer can be restricted to all the shares, or to a specific class of shares. Shares listed on a Japanese stock exchange are required to be freely transferable according to their relevant listing rules and our Company has not placed any transfer restriction on our shares.

Transfer of shares in a Company Issuing Share Certificates shall not become effective unless the share certificates representing the shares are delivered; however, this shall not apply to the transfer of shares arising out of the disposition of Treasury Shares (meaning shares in a company owned by that company itself). The subscriber for Treasury Shares in a Company Issuing Share Certificates shall become the shareholder of the shares on the day when the subscriber has paid contribution for the shares. The transfer of shares in a Company Issuing Share Certificates shall not be perfected against the company unless the name and address of the person who acquires those shares is stated or recorded in the shareholder registry.

Transfer of shares in a Company Not Issuing Share Certificates will become effective by the parties manifesting their intention to do so, and the transfer of shares shall not be perfected against the company and other third parties unless the name and address of the person who acquires those shares is stated or recorded in the shareholder registry. Where Treasury Shares are disposed of, the subscriber for Treasury Shares in a Company Not Issuing Share Certificates shall become the shareholder of the shares on the day when the subscriber has paid contribution for the shares.

If the Book-Entry Act applies to a company (for example, it applies to listed shares of companies listed on Japanese stock exchanges), any transfer of shares becomes effective only through book-entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account opened at an Account Managing Institution, which may be a financial instrument trader (i.e. a securities firm), bank, trust company or other financial institution that meets the requirements prescribed by the Book-Entry Act.

(9) Share Acquisition Rights (Shinkabu yoyakuken)

The Companies Act defines a SAR as a right by 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' meeting, 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. However, in public companies, the board of directors may make this decision with certain exceptions described below.

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 why the SARs need to be issued in such a manner at the shareholders' meeting. In public companies, the terms of such issuance must be reported at the general shareholders' meeting and approved by a special resolution in such cases. According to a case from the Tokyo District Court on 30 June 2006, whether or not the issuance of SARs is made at an "especially favourable price/especially favourable conditions" is determined based on the price of the SARs at the time of issuance, calculated pursuant to the option pricing theory and considering factors such as the market price of the shares, exercise price of the SARs, exercise period of the SARs, interest

rate, and volatility of the price of the shares (“**Fair Option Price**”). When the amount to be paid in upon issuance (or substantive consideration for SARs when they are issued without consideration) is significantly below the Fair Option Price, then in principle, the price or condition of the SARs is interpreted to be “especially favourable.”

SARs may be issued to the existing shareholders with or without consideration. In such cases, shareholders are entitled to subscribe to the share acquisition rights in proportion to their shareholding.

(10) Reduction of share capital

A special resolution of a shareholders’ meeting is, as a rule, required to reduce share capital. However, where the share capital is reduced in order to cover the deficit, an ordinary resolution at the annual shareholders’ meeting will suffice.

When reducing the share capital (and the reserves), a procedure to protect the interests of creditors needs to be followed. The company must publicise the proposed reduction and inform creditors of their entitlement to an objection within a fixed period of no less than one month in the official gazette. The company also must individually notify known creditors, but this can be exempted under certain circumstances.

(11) Shares owned by subsidiaries

Subsidiaries may not acquire shares of a parent company, with certain exceptions such as acquisition through certain mergers and acquisitions transactions, acquisition without consideration, and acquisition as distribution of surplus from a company other than the parent company. When they acquire shares of the parent company through such exception, they are not entitled to vote at any meeting of shareholders and are required to dispose of them at an appropriate time.

(12) Untraceable shareholders

The Companies Act provides that in cases 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 to such action at least 3 months before 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 the company to another person for the purchase of, or subscription for, its own or its holding company’s shares. However, if a company’s act of financial assistance to another person is deemed to equate to an acquisition of Treasury Shares by the company for the accounts of the company, the regulations concerning the repurchase of its shares as stated in “(d) Repurchase of shares by a company” below apply to that act.

Although there are no established rules as to the “acquisition for the accounts of the company,” in general, this should be determined from a comprehensive review as follows:

- (i) terms of the financial assistance by the company to another person such as the creditworthiness of the person and collectability of the receivables including the collateral and interest;
- (ii) whether or not the terms of the purchase of, or subscription for, a company’s shares

(including the selection of the person from whom the shares are purchased, the price of the shares, and the timing of the purchase) are determined by that company's decision; and

- (iii) whether or not the control over the acquired shares in the company (including the authority to dispose of the shares and the right to receive dividends of surplus) belongs to that company.

(d) Repurchase of shares by a company

Shares can be purchased from shareholders with their consent (i) from the market, (ii) via the tender offer procedure as provided by the FIEA, (iii) from all shareholders, or (iv) from a specific shareholder.

With respect to cases (i) and (ii) above, companies with a board of directors may, by the decision of the board of directors if the articles of incorporation allow, repurchase shares from the market or via the takeover bid procedure as provided by the FIEA. If the shares are repurchased from all shareholders (case (iii) above), an ordinary resolution of a shareholders' meeting is sufficient (listed companies however may not use this method of repurchase according to the FIEA and are required to conduct the takeover bid procedure.) If the purchase is from a specific shareholder (case (iv) above), a special resolution of a shareholders' meeting is required. In case (iv) above, the name of this shareholder needs to be disclosed and approved at a general shareholders' meeting. Other shareholders are entitled to ask the company to include them as a seller, with certain exceptions. The source of funds for carrying out the share repurchase is restricted to the Distributable Amount as defined below.

(e) Dividends and distributions

Under the Companies Act, the distribution of dividends takes the form of the distribution of surplus and the distribution of surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions.

In order to pay out dividends, an ordinary resolution of a shareholders' meeting is required. In companies that (i) have an accounting auditor, (ii) where the term of directors terminates on or prior to the close of the general meeting of shareholders relating to the last fiscal year ending within one year from the election of the director, and (iii) which have a board of statutory auditors or three committees (being a remuneration committee, nomination committee and audit committee), matters regarding the payout of cash dividends can be delegated to the board of directors by the articles of incorporation.

Dividends can be paid out from the distributable amount which is determined in accordance with the Companies Act ("**Distributable Amount**"). Distributable Amount is the aggregate amount of other capital surplus and other retained earnings surplus at the end of the last fiscal year with a certain adjustment deducted by a certain amount such as the book value of the treasury stock. When paying dividends, the smaller amount of (i) 10% of the surplus so distributed, or (ii) an amount equal to one quarter of its share capital less the aggregate amount of capital reserve and profit reserve as at the date of such distribution needs to be set aside either as capital reserve or profit reserve until the aggregate amount of its capital reserve or profit reserve reaches one quarter of its share capital.

If the net assets of a company are less than ¥3 million, the company cannot pay dividends.

If the company paid dividends while the company did not have a Distributable Amount, directors and others responsible for the payment are under an obligation to pay back the company the amount paid out, unless that person proves that he was not negligent in carrying out his duties.

(f) Rights of minority shareholders

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

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) not less than three hundredths (3/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that 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.

In cases where (i) the calling procedure is not effected without delay after the demand stated above 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.

(2) 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 one hundredth (1/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than three hundred (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 purpose 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 period or more) prior to the day of the shareholders' meeting.

(3) 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 provided for in the articles of incorporation, that 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 one hundredth (1/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than three hundred (or, where a lesser number is prescribed in the articles of incorporation, that number) votes of all shareholders may make the demand.

(4) 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 neglect of duties and wrongdoing by directors and other officers of the company. Shareholders who have 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 are 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 three hundredths (3/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that 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.

(g) Management/Corporate governance

(1) The shareholders' meeting

General

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 the company. In companies with a board of directors, the general shareholders' meeting is empowered to decide only upon matters provided for in the Companies Act and in the articles of incorporation.

Annual shareholders' meeting

A company is required to convene an annual shareholders' meeting within three months after the end of each financial year.

Convocation of a shareholders' meeting

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 two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. Further, certain items to be included in the business report and notes to financial results may be provided on the company's website, rather than mailed directly to individual shareholders pursuant to the provisions of its articles of incorporation.

Types of resolutions

There are the following types of resolution: an ordinary resolution (*futsu ketsugi*), a special resolution (*tokubetsu ketsugi*), and a qualified special resolution (*tokushu ketsugi*).

In an ordinary resolution (*futsu ketsugi*), the resolution shall be made by a majority of the voting rights of the shareholders present who are entitled to exercise their voting rights. Shareholders representing more than half of the votes need to be present. Quorum can be set by the articles of incorporation. In a resolution to appoint or dismiss directors, statutory auditors, etc., even by the articles of incorporation, the quorum cannot be set below one third.

In a special resolution (*tokubetsu ketsugi*), the resolution shall be made by a majority of two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders present at the meeting where the shareholders holding a majority (where a proportion of one third or more is provided for in the articles of incorporation, that proportion or more) of the votes of the shareholders entitled to exercise their votes at the shareholders' meeting are present. A special resolution is required in certain matters, including:

- reverse stock split;
- issuance of new shares at a particularly favourable subscription price;
- issuance of share acquisition rights at a particularly favourable subscription price or particularly favourable conditions;
- distribution of dividend in kind 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-Seturitu*);
- merger;
- corporate split;
- share exchange and share transfer;
- assignment of the entire business or a significant part of the business; and
- dissolution of the company.

TRANSACTIONS REQUIRING SHAREHOLDER APPROVAL UNDER THE COMPANIES ACT

Type of Transaction	Required Resolution	Quorum Requirement
Shareholders Approval Transaction	Certain corporate acts such including: (i) Distribution of surplus (Article 454 of the Companies Act); (ii) repurchase of shares (Article 156(1) of the Companies Act); (iii) reduction of the amount of stated capital (Article 447(1) of the Companies Act); (iv) Reduction of the amount of reserves (Article 448(1) of the Companies Act); (v) Increase of the amount of stated capital by way of reduction of the amount of surplus (Article 450 of the Companies Act); (vi) Increase of the amount of reserves by way of reduction of the amount of surplus (Article 451); and (vii) Appropriation of its surplus, including disposition of loss and funding of voluntary reserves (Article 356(1) of the Companies Act).	An ordinary resolution, to be passed by a majority vote of shareholders entitled to exercise votes at a general meeting. Shareholders holding a majority of the votes (of those entitled to vote) at a general meeting.
Special Shareholders Approval Transaction	The following transactions constitute special shareholders approval transactions: <ul style="list-style-type: none"> (i) Acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and continues to be used for its business (<i>Jigo-Seturitu</i>) (Article 467(1)(v) of the Companies Act); (ii) Merger (absorption by another company) (Article 783(1), 795(1), 804(1) of the Companies Act); (iii) Corporate split (separation of an existing company into two constituent parts)(Article 783(1), 795(1), 804(1) of the Companies Act); (iv) Share exchange and share transfer (acquisition of the entire issued share capital of a target company in exchange for shares in a target company) (Article 783(1), 795(1), 804(1) of the Companies Act); and (v) Assignment of entire business or significant part of business (Article 467(1), (2) of the Companies Act)¹. 	A special resolution, to be passed by no less than a two-thirds majority vote of those entitled to vote) at a general meeting. Shareholders holding a majority of the votes (of those entitled to vote) at a general meeting.

	Type of Transaction	Required Resolution	Quorum Requirement
	<p>In addition, certain corporate acts including the following constitute special shareholders approval transactions: (i) Reverse stock split (Article 180(2) of the Companies Act); (ii) Issuance of new shares at unfair subscription price (Article 199(2), (3) of the Companies Act); (iii) Issuance of share acquisition rights at unfair subscription price or unfair conditions (Article 238(2), (3) of the Companies Act); (iv) Distribution of dividend in kind without giving shareholders the rights to demand distribution in cash (Article 454(4) of the Companies Act); (v) Dissolution of the company (Article 471(iii) of the Companies Act).</p>		
<p>Special Shareholders Approval Transaction</p>	<p>Mergers or share transfers involving the restructuring of the shares of a company such that they contain transfer restrictions, and amendments to a company's articles of incorporation to install pre-emption rights or other transfer restrictions constitute special shareholders approval transactions.</p>	<p>A special particular resolution passed by the shareholders who no less than a two thirds majority vote of their votes at a general meeting to exercise votes at a general meeting.</p>	<p>At least half or more of are entitled to exercise their votes at a general meeting.</p>
<p>Unanimous Shareholders Approval Transaction</p>	<p>The following corporate acts constitute unanimous shareholders approval transactions: (i) Amendments to the articles of incorporation reclassifying all of the shares of the Company into shares subject to a statutory call option of the company (similar to redeemable shares) (Article 110 of the Companies Act); (ii) Amendments to the articles of incorporation restricting certain shareholders from being entitled to require the company to purchase their shares on a share repurchase (Article 164(2) of the Companies Act); (iii) Conversion to unlimited commercial partnership, limited commercial partnership company or limited liability partnership company (Article 776(1) of the Companies Act); and (iv) Merger or share transfers in which all or part of consideration to the shareholders of a company to be absorbed or wholly acquired is the equity of an unlimited commercial partnership, limited commercial partnership company or limited liability partnership company (Article 783(2) of the Companies Act); and (v) Incorporation type merger in which each of unlimited commercial partnership, limited commercial partnership company or limited liability partnership company will be established.</p>	<p>A special particular resolution passed unanimously by the shareholders of the Company.</p>	<p>None.</p>

1 In addition, with respect to assignments of business, if a business assignee, together with its wholly-owned entity(ies), if any, holds 90% or more of the aggregate number of voting rights of a business assignor, approval at a shareholders' meeting of business assignor is not required.

In a qualified special resolution (*tokushu ketsugi*), the resolution shall be made by (i) a majority (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the shareholders entitled to exercise their votes at the shareholders' meeting, being a majority of two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders, or (ii) half or more (where a higher proportion is provided for in the articles of incorporation, that proportion or more) of all shareholders, being a majority equating to three quarters (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of all shareholders. Resolutions which require a type (i) qualified special resolution include the resolution to introduce restraints on transfer of shares. A type (ii) qualified special resolution is for the resolution to introduce or change differential treatment of shareholders with respect to distribution of surplus or residual assets, or voting rights, of a company whose articles of incorporation provides a transfer restriction on all of its shares. There are also cases where all shareholders' consent is required, for example, where the liability of directors, statutory auditors, etc. *vis-à-vis* the company is discharged.

(2) *Directors and the board of directors*

General

It is mandatory for each company to have a director. Public companies, companies with three committees, and companies with a board of statutory auditors must have a board of directors. In these companies, there must be at least three directors.

Appointment

Directors are appointed at the general shareholders' meeting. Shareholders representing over 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. In almost all listed companies, it is excluded.

Term of office

The term of office of a director terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within two years 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.

Qualifications of directors

Certain persons such as a juridical person may not become a director of a company. However, a public company may not limit the qualifications of directors by requiring such directors to be one of its shareholders.

Dismissal

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.

Remuneration

Financial benefits received from a company as consideration for the execution of duties, such as compensation and bonuses of directors shall be determined by a resolution of the shareholders' meeting. The total amount of the directors' compensation may be determined by the resolution of a shareholders' meeting and each director's compensation may be determined by the board of directors or a director who has been authorised to determine it.

Relationship with the company

There is a mandate relationship between the company and the officers (the directors, the accounting adviser, and statutory auditors). As such, directors and others 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.

Exemption of liability

If a director shall be liable to a company for damages arising as a result of neglect of his/her duties, there are some measures of indemnity available to directors 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 resolution of the board of directors if the relevant director acted without knowledge and was not grossly negligent in performing his/her duties by a provision of the articles of incorporation.

In addition, a company may enter into an agreement with an external director to the effect that liability for damages shall be limited to a certain amount within the amount prescribed by the Companies Act.

Conflict of interest

In the following cases, directors 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 executing the transaction shall also report promptly the material information regarding such transaction to the board of directors.

Corporate Representative

The board of directors must appoint representative directors from among the directors. Representative directors are empowered to carry out all judicial and extra-judicial acts involving the business of the company.

In companies with three committees within the board of directors, instead of representative directors, there are executive officers (*shikkō-yaku*) who are appointed by the board of directors, but not necessarily from among the directors, and representative executive officers who are appointed by the board of directors from among executive officers to represent the company. 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.

Role of directors

The role of directors differs in companies with a board of directors and without a board of directors. In companies with a board of directors, only the representative director and other directors selected by the board of directors execute the business of the company, while in companies without a board of directors, directors execute the business of the company. In companies with three committees within the board of directors, 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.

Powers of the board of directors

The board of directors (except in companies with three committees within the board of directors) has the power to:

- determine the execution of the business of the company;
- supervise the carrying out of duties by directors; and
- appoint and dismiss representative directors.

Matters which fall within exclusive jurisdiction of the board of directors (decision-making in significant matters involving the execution of business) include the following:

- disposal or acquisition of significant assets;
- borrowing of a large amount;
- appointment and dismissal of important employees;
- establishment, change, and abolition of branches and other organisational units;
- significant matters involving the issuing of bonds; and

- introduction of a system to ensure compliance of directors carrying out duties with the law and the articles of incorporation.

(3) Statutory auditors and board of statutory auditors

General

Companies with a board of directors (except for companies with three committees) must have a statutory auditor. In addition, large companies must have a board of statutory auditors comprised of three or more statutory auditors.

Statutory auditors

Statutory auditors are appointed and dismissed by the general shareholders' meeting. However, in order to dismiss a statutory auditor, a special resolution of the shareholders' meeting is required.

The term of office of a statutory auditor terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within four years from the election of the statutory auditor. However, such term may not be shortened even by the articles of incorporation.

Statutory auditors are responsible for auditing the executive actions of the directors, including ensuring the continuance of a sound corporate governance system, and additionally they have broad authority to oversee the company's audit functions, including: independently reviewing corporate documentation and financial statements; sharing information with, co-ordinating with and interviewing the accounting auditors; and dealing with any issues arising from the company's audit. In order to fulfill such responsibilities, the statutory auditors are given various authorities, such as the right to request that directors report to them regarding the company's business, the right to investigate the company's business and assets, and the right to demand that directors cease certain acts which are outside the scope or the purpose of the company, in violation of laws and regulations, or the articles of incorporation, if such acts are likely to cause substantial detriment to the company.

The Companies Act provides exemptions from liability for statutory auditors similar to those available to directors.

The compensation and other benefits for statutory auditors are determined by a resolution of a shareholders' meeting.

Board of statutory auditors

The board of statutory auditors functions to facilitate the conduct by the statutory auditors of their duties and enables them to share information, allocate responsibilities among themselves and to determine auditing policy and their methods of investigation. In addition the board of statutory auditors is given the authority to consent to the appointment of statutory auditors and accounting auditors, and is required to prepare audit reports which are subject to inspection by shareholders and creditors. More specifically, the board of statutory auditors receives explanations from the company's accounting auditors on the company's annual auditing plan and other matters based on the annual audit report, when financial statements for the second quarter and full fiscal year are prepared.

The board of statutory auditors elects full-time statutory auditors from among its members.

(h) Accounting and auditing requirements

Regulation of accounting in the Companies Act is intended to (i) set the limit for paying out surplus; and (ii) provide information on the financial state of the company to creditors and shareholders.

Companies must prepare accurate accounting documents in a timely manner and keep them for ten years. Accounting must comply with the “practice of corporate accounting which is generally accepted as fair and appropriate.”

Companies are mandated to prepare financial statements and other documents for each financial year. These are:

- a balance sheet;
- a profit and loss report;
- a report on the changes of the amount of share capital during the financial year; and
- a business report.

Financial statements are subject to the audit of statutory auditors and accounting auditors when it has accounting auditors, and approval of the board of directors. They are then submitted to the general shareholders’ meeting for the approval of shareholders (in the case where the company has an accounting auditor and fulfills certain requirements, the financial statement is not required to be approved by a shareholders’ meeting and is required to be reported only.).

The Companies Act mandates large companies which are subject to the obligation to submit annual securities reports according to the FIEA to prepare consolidated financial statements.

(i) M&A (Mergers, corporate split, share exchange, share transfer, business transfers and business assumption)

(1) Mergers (gappei)

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

The company must seek a special resolution (which will pass if (1) shareholders having 1/3 or more of outstanding shares of the Company vote at the shareholders meeting, and (2) 2/3 or more voting shareholders approve the transaction under the Companies Act and the Articles of the Company at the general shareholders meeting if it conducts a merger, unless:

- (i) the company is the surviving entity in relation to the merger and the consideration to be paid to the shareholders of the counterparty (absorbed entity) is 20% or less of the net asset of the company,
- (ii) the company has 90% or more of the outstanding shares of the counterparty, or
- (iii) the counterparty has 90% or more of the outstanding shares of the company.

Shareholders who are opposed to the planned merger are entitled to require the respective company to purchase their shares at a fair price. Shareholders who have voting rights and have informed the company of their objection before the general shareholders' meeting and have voted against the merger, or shareholders who do not have voting rights, may exercise these rights. The appraisal right must be exercised within twenty days before the date the merger takes effect and the day before this date.

Since creditors may be affected by the merger, there is a procedure for the protection of creditors. The merging companies are under an obligation to publicly announce the merger in the official gazette and also to invite known creditors to come forward, if they object to the merger. By the articles of incorporation, companies may decide not to notify known creditors individually, but instead make an announcement in the daily papers, or notify the creditors by electronic means, in addition to the announcement in the official gazette.

If a creditor objects to the merger, the company needs to either (i) repay the debt even if it is not due, (ii) instead, provide collateral, or (iii) deposit an appropriate amount with a trust company or banks involved in trust business. However, the novelty since the 1997 amendments is that if there is no likelihood of the merger harming the creditors, these measures are not required.

Under the Companies Act, it has become permissible to use the stock of the parent of the surviving company as consideration in an acquisition or disposal, thereby enabling triangular mergers.

In mergers by setting up a new company, the merger takes effect by registration. In mergers by absorption, the rights and obligations of the extinguishing company are transferred to the surviving company in a comprehensive manner on the agreed date on which the merger takes effect.

Japanese law requires that certain general information is included in a convocation notice for an extraordinary shareholders' meeting ("**EGM**"), 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 EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for merger contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed merger; (ii) the terms and conditions of the merger 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.

(2) Corporate split (*kaisha bunkatsu*)

A corporate split is a process whereby a stock company or a limited liability company (*godo kaisha*) transfers all or part of the rights and obligations pertaining to a certain division of the company to another existing company or a newly established company. The separation of rights and obligations pertaining to a division of such a company to an existing company is called *kyushu bunkatsu* (absorption type corporate split), while the separation of rights and obligations pertaining to a division of such a company to a newly established company is called *shinsetsu bunkatsu* (new incorporation type corporate split). In each type of corporate split, as consideration for the separation of rights and obligations, the separating company will issue or pay shares, bonds, share acquisition rights, cash or other assets to the other company.

In a new incorporation type corporate split or an absorption type corporate split, the procedure is (i) the preparation of a plan for the split, or a contract of split; (ii) the making available of relevant documents for inspection; (iii) the approval by a general shareholders' meeting, (iv) the procedure for the protection of creditors; and (v) registration.

The plan or the contract of a split must be made available for inspection by shareholders and creditors in the same manner as mergers. The plan or the contract is subject to approval at the general shareholders' meeting of the splitting company and, in cases of spin-off to another existing company, also by shareholders of that company by a special resolution of a shareholders' meeting. Shareholders who are opposed to the split are granted an appraisal right as with a merger. The procedure for the protection of creditors of those companies is also available.

The company must seek a special resolution at the general shareholders' meeting if it conducts a corporate split unless:

- (i) the "corporate split" results in an establishment of a new company, and the company is the splitting entity in relation to the corporate split, and the net assets to be transferred are 20% or less of the total assets of the company,
- (ii) the "corporate split" results in a consolidation with an existing company, and the company is the splitting entity in relation to the corporate split, and the net assets to be transferred is 20% or less of the total asset of the company,
- (iii) the "corporate split" results in a consolidation with an existing company ("Merging Entity"), and the company is the Merging Entity, and the consideration to be paid to the counterparty (splitting entity) in relation to the corporate split is 20 or less of the net asset of the company,
- (iv) the "corporate split" results in a consolidation with an existing company, and the company has 90% or more of the outstanding shares of the counterparty, or
- (v) the "corporate split" results in a consolidation with an existing company, and the counterparty has 90% or more of the outstanding shares of the company.

As a rule, rights and obligations of the splitting company are transferred either to the newly established company or to the absorbing company. This also applies to employment contracts.

Japanese law requires that certain general information is included in a convocation notice for an EGM, 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 EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for corporate splits, the convocation notice must include the following key content requirements: (i) the reason for the proposed corporate split; (ii) the terms and conditions of the corporate split contract or plan; (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; (v) the counterparty's material subsequent events after the end of the latest financial year and (vi) the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.

(3) Share exchange (*kabushiki kokan*) and share transfer (*kabushiki iten*)

A share transfer (*kabushiki iten*) 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*) is a transaction whereby a stock company transfers all of its outstanding shares to an existing stock company or a limited liability company (*godo kaisha*) (i.e., conversion of an existing stock company to a wholly-owned subsidiary of another existing stock company or limited liability company (*godo kaisha*)) 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.

The company must seek a special resolution at the general shareholders' meeting if it conducts a share exchange unless:

- (i) the company is the squeezing entity 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 the company,
- (ii) the company has 90% or more of the outstanding shares of the counterparty, or
- (iii) the counterparty has 90% or more of the outstanding shares of the company.

The company must seek a special resolution at the general shareholders' meeting if it conducts a share transfer.

Japanese law requires that certain general information is included in a convocation notice for an EGM, 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 EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining 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 gaining 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) the company's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year; (iv) the company's material subsequent events after the end of the latest financial year and (v) the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.

(4) Business transfer (*jigyo joto*)

A business transfer (*jigyo joto*) is a transaction whereby a stock company transfers all or a portion of its "business" (*jigyo*) to another entity. According to the judicial precedents, the term

“business” (*jigyo*) is regarded to mean “a combination of assets and liabilities organised for a certain commercial purpose including a contractual relationship with its customers.” Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as “business” (*jigyo*).

The contract by a stock company to transfer all of or a significant portion of its “business” (*jigyo*) to another entity is subject to the special resolution of a shareholders’ meeting unless;

- (i) the consideration to be paid by the transferee to the stock company is 20 % or less of the total assets of the stock company, or
- (ii) the transferee has 90% or more of the outstanding shares of the stock company.

Shareholders who opposed to the business transfer (*jigyo joto*) are given appraisal rights.

Japanese law requires that certain general information is included in a convocation notice for an EGM, 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 EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business transfers, the convocation notice must include the following key content requirements: (i) the reason for the proposed business transfer; (ii) the terms and conditions of the business transfer contract and (iii) the appropriateness of the consideration to be received.

(5) *Business assumption (jigyo yuzuriuke)*

A business assumption (*jigyo yuzuriuke*) is a transaction whereby a stock company assumes all or a portion of its “business” (*jigyo*) from another entity. According to the judicial precedents, the term “business” (*jigyo*) is regarded to mean “a combination of assets and liabilities organised for a certain commercial purpose including a contractual relationship with its customers.” Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as “business” (*jigyo*).

The contract by a stock company to assume all of the “business” (*jigyo*) from another entity is subject to the special resolution of a shareholders’ meeting unless;

- (i) the consideration to be paid by the stock company to the transferor is 20 % or less of the net assets of the stock company, or
- (ii) the transferor has 90% or more of the outstanding shares of the stock company.

Shareholders who opposed to the business assumption (*jigyo yuzuriuke*) are given appraisal rights.

Japanese law requires that certain general information is included in a convocation notice for an EGM, 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 EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business assumptions, the convocation notice must include the following key content requirements: (i) the reason for the proposed business assumption; (ii) the terms and conditions of the business assumption contract and (iii) the appropriateness of the consideration to be paid.

(j) Financing of companies

Other than borrowing, companies may take measures to finance themselves as follows.

(1) Issuance of new shares

The issuance of shares and the disposal of treasury shares are covered in the same section of the Companies Act as the offering of shares. When offering newly-issued shares or treasury shares that are being disposed of, either to the public or a third party, a company is required to determine the following:

- the number of offered shares;
- the price to be paid or the method of calculating it;
- if there is an in-kind contribution, the content of the contribution and its value;
- the date or period of payment; and
- matters related to the increase of the capital and capital reserve when issuing shares.

These matters need to be decided at the general shareholders' meeting, but this can be delegated to the board of directors by a special resolution of a shareholders' meeting. In such cases, the maximum number of shares to be issued or disposed and the minimum amount of payment need to be determined. In public companies, the above matters can be determined by the board of directors. However, this does not apply when the shares are issued or disposed of at an especially favourable price to the subscribers (whether or not a price is "especially favourable to the subscribers" is determined based on a reasonable balance between the interests of the company's existing shareholders and its own interest in achieving effective capital financing, considering various factors including: the company's share price prior to the date when the issue price is set; volatility of that share price; past trading volumes in the company's shares; the company's financial condition, profitability and level of dividends; the number of the company's issued shares and the number of new shares to be issued; trends in stock market conditions; and the estimated potential of the market to absorb these new shares, according to precedent court case (Supreme Court, 8 April 1975)). In such case, a special resolution of the shareholders' meeting is required.

If the issuance of shares or the disposal of treasury shares is against the law or the articles of incorporation or was substantially unfair, shareholders are entitled to seek an injunction. Shareholders are also entitled to contest the validity of the issuance. In order to ensure the above rights of shareholders, where a public company offers shares to the public or a third party, the offer has to be publicised, or notified to shareholders at least two weeks prior to the date of paying in.

There are three types of issuances of new shares, depending on the allocation of newly-issued shares: (i) an allotment to shareholders, (ii) an allotment to a specified third party, and (iii) a public offer. The Board of Directors is entitled to decide to adopt either of the three methods above at its discretion.

In the case of an allotment to shareholders, upon resolution of the Board of directors to give, at its discretion, existing shareholders the right to subscribe newly-issued shares in proportion to

shareholding ratio. In the case of an allotment to a specified third party, shares may be offered to a specific third party. The party to whom the shares are to be allocated can be determined by the board of directors. In a public offer, newly-issued shares are offered to many unspecified people. The shares are underwritten by securities firms.

(2) Issuance of bonds

The Companies Act defines a bond as any monetary claim owed by a company by allotment under the provisions of the Companies Act and which will be redeemed in accordance with the provisions on the matters listed in the items of the Companies Act.

There are straight bonds and bonds with share acquisition rights. The latter are bonds with share acquisition rights which are inseparable from the bond itself.

In cases where a company will issue bonds, the company must specify a bond manager and entrust the receipt of payments, the preservation of rights of a claim on behalf of the bondholders, and other administration of the bonds to that manager, unless the value of each bond is ¥100 million or more, or the total amount of the bonds divided by the minimum price of the bond is less than 50.

(k) Amendment of Articles of Incorporation

A company may amend its articles of incorporation by a special resolution of a shareholders' meeting, as a rule.

(l) Inspection of corporate records

(1) Shareholder registry

A company shall keep the shareholder registry at its head office (or, in cases where there is a shareholder registry administrator, at its business office). Shareholders and creditors may make a request to inspect or copy the shareholder registry at any time during the company's business hours by giving reasons. The company is not entitled to refuse the request unless (i) the shareholder or creditor makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights, (ii) the shareholder or creditor makes this request to obstruct the company's execution of business and to harm the joint interests of shareholders, (iii) the shareholder or creditor is in a business substantially in concurrence with the company, or is involved in the business, (iv) the shareholder or creditor makes the request in order to report facts to third parties for profit, knowledge of which is acquired by inspecting or copying the shareholder registry, or (v) the shareholder or creditor is a person who has reported facts, knowledge of which was acquired by inspecting or copying the shareholder registry, to third parties for profit during the last two years.

If it is necessary in order to exercise the rights of a member of the parent company of a company, he or she may, with the court's permission, make the request stated above with respect to the shareholder registry. In such cases, the reasons for the request shall be disclosed.

(2) Accounting documents

Shareholders who have 3% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) or more of the voting rights in the company, or of the issued shares are entitled to inspect and make a copy of the accounting documents by giving reasons. The 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 the company's execution of business and to harm the

joint interests of shareholders, (iii) the shareholder is in a business substantially in concurrence with the company, or is involved in the business, (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.

If it is necessary in order to exercise the rights of a member of the parent company of a company, he or she may, with the court's permission, make the request stated above with respect to the account books or materials relating thereto. In those cases, the reasons for the request shall be disclosed.

(3) Commercial register

A stock company is required to register certain matters such as (i) the purpose of the company, (ii) its trade name, (iii) the location of the company, (iv) its share capital, (v) the total number of authorised shares, (vi) the details of shares, (vii) the the number of share unit (if any), (viii) the total number of issued shares, (ix) the name, address and business office of the administrator of the shareholder registry (if any), (x) the matters regarding share acquisition rights, (xi) the names of directors, (xii) the 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) 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) the URL for disclosure of certain information to be included in financial statements, and (xvii) the matters regarding public notice. In addition to the above, certain corporate actions such as acquisitions and disposals are also registered.

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

(m) Dissolution and liquidation

(1) Dissolving

Under the Companies Act, a company may adopt to dissolve itself by a special resolution at a shareholders' meeting. Upon dissolution of the company, its director(s) will cease to serve in such directorial capacity and the former director(s) will become the liquidator(s) of the stock company by default, unless otherwise provided for in its articles of incorporation or determined by a resolution at the shareholders' meeting.

After the company is dissolved, it will continue to exist as a corporate entity. However, its sole purpose will be to liquidate itself. In other words, the dissolved company is not able to operate its business in the same manner as it did prior to the dissolution.

(2) Liquidation

Once the company is dissolved, it will then proceed to liquidate itself. Liquidation is a procedure for the company to wind-up its affairs and eventually cease to be a corporate entity. During this process, liquidators will act as representatives of the company, replacing such representatives who were the company's representative directors before the dissolution

C. CONSTITUTIONAL DOCUMENTS

1. ARTICLES OF INCORPORATION

The Articles of Incorporation of our Company were executed by the incorporator of our Company and certified by a notary public on 7 July 1999 (the day prior to our incorporation). The Articles of Incorporation have been amended from time to time. The current Articles of Incorporation were last amended on 28 June 2012. An English translation of the Articles of Incorporation is available for inspection at the location specified in the “Documents Available for Inspection” in Appendix IX to this prospectus. The following is a summary of certain key provisions of our Articles of Incorporation and the Companies Act (as applicable).

(a) Objects

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

(b) Directors

(i) *Power to allot and issue Shares*

There are no specific provisions in our Articles of Incorporation relating to the power to allot and issue shares. However, the Articles do provide the total shares authorised to be issued by the Company (which was 341,690,000 Shares as at 28 June 2012).

Under the Companies Act, and subject to certain exceptions, our Company may issue and allot Shares to any party by resolution of the Board of Directors. For further details, see “— 3. Japanese Corporations Law — (j) Financing of companies — (1) Issuance of new shares” in this Appendix.

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

There are no specific provisions 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, a Representative Director or a Director who is authorised to execute certain operations has the power to dispose of the assets of our Company unless such assets are “significant assets” (whether an asset is considered significant is determined by, amongst other things, their value as compared to the company’s assets as a whole, their purpose and the frequency of such transactions) of our Company. Alternatively, neither the Directors nor the Board of the Directors of the 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 are no specific provisions in our Articles of Incorporation relating to compensation or payments to Directors for loss of office.

Under the Companies Act, a Director dismissed by resolution of the Shareholders meeting 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

There are no specific provisions in the Articles of Incorporation relating to the entry into, or 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. However, if our Company makes loans to its Directors or gives security for loans to Directors, prior approval of the Board of Directors is required. For further details, see paragraph “Conflict of interest” in “— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors” in this Appendix.

(v) Financial assistance to purchase shares of our Company or our holding company

There is no specific restriction under our Articles of Incorporation or the Companies Act on the provision of financial assistance by our Company to another person for the purchase of, or subscription for, our own or our holding company’s shares. However, if our Company’s act of giving financial assistance to another person is deemed to equate to the repurchase of our own shares on behalf of our Company, the regulations concerning the repurchase of a company’s own shares will apply. For further details, see “— 3. Japanese Corporations Law — (c) Financial assistance to purchase shares of a company or its holding company” in this Appendix.

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

There are no specific provisions in our Articles of Incorporation relating to Directors’ disclosures of interests in contracts with our Company or our subsidiaries.

Under the Companies Act, if a Director is interested in any contract to be entered into by our Company, the disclosure to the Board of Directors of all material information regarding the transaction is required. For further details, see paragraph entitled “Conflict of interest” in “— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors” in this Appendix. However, there are no specific provisions in the Companies Act concerning the disclosure of any interest by a Director in a contract to be entered into by a subsidiary of our Company.

(vii) Remuneration

Under our Articles of Incorporation and the Companies Act, the total amount of remuneration of our Directors shall be determined by the resolution of the Shareholders’ meeting. For further details, see paragraph entitled “Remuneration” in “— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors” in this Appendix.

(viii) Retirement, appointment and removal

Our Directors are appointed (for a term of one calendar year) or dismissed on an annual basis at our annual general shareholders' meeting in accordance with the Companies Act. According to our Articles of Incorporation, our Company shall have not more than 19 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 general shareholders' meeting unless such a director is re-elected. The Representative Director shall be appointed by a Resolution of the Board of Directors.

For further details, see paragraphs entitled "Appointment", "Term of office" and "Dismissal" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(ix) Proceedings of Directors

In accordance with our Articles of Incorporation, a Director (determined in advance by the Board of Directors) shall convene a meeting of the Board of Directors and shall act as the chairperson of the meeting. Notice of the convocation of a meeting of the Board of Directors shall be sent to each Director and Statutory Auditor at least three days prior to the scheduled date of such meeting; however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Directors and Statutory Auditors consents.

A resolution of the Board of Directors shall be made by a majority of the Directors present at a meeting where the majority of the Directors entitled to participate in votes are present. The Directors may also pass written board resolutions. The operations of the Board of Directors follow the Regulations of the Board of Directors, in addition to the Companies Act.

(x) Borrowing powers

There are no specific provisions in our Articles of Incorporation concerning our Company's borrowing powers. Under the Companies Act, a representative director or a director who is authorised to execute certain operations has the power to determine the execution of any such operation such as borrowing unless such borrowing is of a large amount (taking into account, amongst other things, the amount compared to the value of the Company as a whole, its purpose and the frequency of such borrowings). For further details, see paragraphs entitled "Role of directors" and "Powers of the board of directors" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(xi) Qualification shares

There are no specific provisions in our Articles of Incorporation relating to qualification shares and under the Companies Act. Our Directors are not required to hold any Shares in our Company in order to be appointed as a Director.

(xii) Indemnity to Directors

In accordance with our Articles of Incorporation, our Company may indemnify our Directors by way of a resolution of a shareholders' meeting or a resolution passed in a meeting of the Board of Directors, or our Company may enter into an agreement with an external Director to the effect that his or her liability for damages shall be limited. If our Company enters into an indemnity with an external Director (being a director who has never been a representative director, an executive director, an executive officer or an employee of Group) then the maximum cap on his liability must be ¥1,000,000 (or such higher amount provided under Japanese law). For further details, see paragraph entitled "Exemption of liability" in " — 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(c) Alterations to constitutive documents

There are no specific provisions in our Articles of Incorporation concerning amendments to our Articles. Our Company may amend our Articles of Incorporation by a special resolution of a shareholders' meeting in accordance with the Companies Act.

(d) Share Unit Number

In accordance with our Articles of Incorporation, the share unit number of the Company shall be 100 shares. Shareholders of the Company may not exercise rights for shares less than one unit other than the rights listed below:

- (1) the rights listed in paragraph 2 of Article 189 of the Companies Act;
- (2) rights for which a request is made under the provisions of paragraph 1 of Article 166 of the Companies Act;
- (3) rights to subscribe to allotments of shares for subscription and share purchase warrants for subscription in proportion to the number of shares held by shareholders; and
- (4) rights to request the Company to sell them shares in a number that, together with the shares less than one unit held thereby, will constitute one share unit in accordance with the provisions of the Rules Concerning Handling of Shares.

This paragraph (d) takes effect from October 1, 2012.

(e) Alterations of capital

There are no specific provisions in the Articles of Incorporation concerning alterations of our Share capital. Share capital is increased at the time of the issuance of shares and may be reduced by a resolution of shareholders' meeting, according to the Companies Act. For further details, see " — 3. Japanese Corporations Law — (b) Share capital — (1) Share capital" in this Appendix.

(f) Variation of rights of existing shares or classes of shares

There are no specific provisions in our Articles of Incorporation relating to this heading and our Company has not issued any classes of shares other than ordinary shares. A company incorporated in Japan is required to amend its Articles of Incorporation in order to change the rights of our existing ordinary shares or to issue new classes of shares in accordance with the Companies Act.

(g) Special resolutions - majority required

There are no specific provisions in our Articles of Incorporation relating to voting thresholds. A special resolution shall be passed if (1) Shareholders having one-third or more of the outstanding voting shares of the Company vote at the shareholders' meeting; and (2) two-thirds or more of shareholders approve the transaction. A qualified special resolution shall be passed by (i) a majority of the shareholders entitled to exercise their votes at the shareholders' meeting, being a majority of two thirds or more of the votes of the shareholders, or (ii) a majority of all shareholders, being a majority equating to three quarters or more of the votes of all shareholders according to the Companies Act. For further details, see "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (1) The general shareholders' meeting" in this Appendix.

(h) Voting rights and right to demand a poll

There are no specific provisions in our Articles of Incorporation relating to voting rights. Shareholders have, as a rule, one vote per share according to the Companies Act. For further details, see "— 3. Japanese Corporations Law — (b) Share capital — (4) Voting rights" in this Appendix.

The method of voting is not restricted under the Companies Act, and the chairperson generally may decide the voting method, which may include a vote by a show of hands or a standing or a poll, unless a resolution to adopt another voting method is made at the shareholders' meeting.

(i) Requirements for AGMs

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

The annual general shareholders' meeting of our Company shall be convened within three months after the day following the last day of each financial year by a resolution of the Board of Directors in accordance with our Articles of Incorporation. A Director who is nominated in advance by the Board of Directors shall convene the shareholders' meeting and act as the Chairperson at that meeting. Our Company must send a convocation of our annual general Shareholders Meeting at least 14 days before the meeting. Our Company may also, when convening a shareholders' meeting, use the Internet to disclose information relating to matters to be provided or indicated as reference materials for a shareholders' meeting, including the convocation notice, business reports, financial statements, and consolidated financial statements (including accounting audit reports or audit reports relating to the consolidated financial statements).

(j) Accounts and audit

There are no specific provisions in our Articles of Incorporation relating to accounts and audit. Our Company prepares financial statements and other documents in accordance with the Companies Act. For further details, see “ — 3. Japanese Corporations Law — (h) Accounting and auditing requirements” in this Appendix.

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

There are no specific provisions in our Articles of Incorporation relating to our Shareholders’ meeting notices and form. Under the Companies Act, in order to convene a shareholders’ meeting, directors must despatch the convocation notice to the shareholders no later than 14 days prior to the day of the shareholders’ meeting. The agenda for our Shareholders’ meeting is determined by the board of directors of the Company and included in the convocation notice. For further details, see paragraph “Convocation of a shareholders’ meeting” in “ — 3. Japanese Corporations Law — (g) Management / Corporate governance — (1) The shareholders’ meeting” in this Appendix.

(l) Transfer of Shares

There are no specific provisions in our Articles of Incorporation relating to transfers of Shares. Shares issued by our Company are freely transferable. A transfer of Shares in our Company will only become effective through a book-entry transfer in accordance with the Book-Entry Act. For further details, see “ — 3. Japanese Corporations Law — (b) Share capital — (8) Transfer of shares” in this Appendix.

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

In accordance with our Articles of Incorporation, the Companies Act and the FIEA, our Company may repurchase our Shares by a resolution of the general meeting of its Shareholders. In certain cases, our Company may do so by way of a resolution of the Board of Directors according to the Articles of Incorporation. For further details, see “ — 3. Japanese Corporations Law — (d) Repurchase of shares by a company” in this Appendix.

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

There are no specific provisions in our Articles of Incorporation concerning any of our subsidiaries holding our Shares. Our subsidiaries may not acquire our Shares, subject to certain exceptions, such as their acquisition of them through Statutory Transactions governed by the Companies Act. Under the Companies Act, if any of our subsidiaries acquires our Shares through such a transaction, it would not be entitled to vote at any shareholders’ meeting and is required to dispose of the acquired Shares at the earliest and most advantageous time. For further details, see “ — 3. Japanese Corporations Law — (b) Share capital — (11) Shares owned by subsidiaries” in this Appendix.

(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 surplus by a resolution passed at a shareholders’ meeting and, in certain cases, may also do so by a resolution of Board of Directors (provided the Accounting Auditor provides an audit certificate and there are no qualifications to the Accounting Auditors’ report). For further details, see “ — 3. Japanese Corporations Law — (e) Dividends and distributions” in this Appendix. 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 three full years from the day on which such payment was made available. Further, the record dates for the payment of annual dividends and interim dividends are 31 March and 30 September of each year respectively (although the Company is also entitled to pay dividends from surplus by setting a record date).

(p) Proxies

In accordance with our Articles of Incorporation, a Shareholder may exercise his or her voting rights by proxy through another Shareholder who has voting rights in our Company. In this case, the Shareholder or his or her proxy must submit a document proving such authority to the Company at each shareholders' meeting.

(q) Calls on shares and forfeiture of shares

There are no specific provisions in our Articles of Incorporation concerning calls on shares and forfeiture of Shares. Under the Companies Act, the Company cannot issue partly paid Shares, and therefore, the Company cannot make a call upon the Shareholders to pay any money unpaid on the Shares held by them. According to the Companies Act, a special resolution of the shareholders' meeting is required if the Company wishes to merge or conduct other structural changes to the Company that may entail the forfeiture of any Shares in the Company. In order to protect minority shareholders, the Companies Act provides that in general, such shareholders who object to such a special resolution are entitled to receive the fair market value of such forfeited Shares from the relevant company.

(r) Inspection of register of members

Shareholders are entitled to inspect and make a copy of the Company's shareholders register during the business hours of our Company by giving reasons (which cannot be for an improper purpose) pursuant to the Companies Act. For further details, see "— 3. Japanese Corporations Law — (I) Inspection of corporate records — (1) Shareholder registry" in this Appendix. Pursuant to the Articles of Incorporation, our Company has entrusted the administration of our shareholder register to our shareholders register administrator, Mizuho Trust & Banking Co., Ltd.

(s) Inspection of register of Directors

There is no concept of a "register of directors" under Japanese law. However, Shareholders may obtain information regarding our Directors from our securities reports or quarterly reports submitted to the FSA under the FIEA. In addition, the names of Directors and the names and addresses of the Representative Directors are registered in the commercial register in accordance with the Companies Act.

(t) Quorum for meetings and separate class meetings

A quorum for the general meeting of shareholders is provided by the Companies Act. However, our Articles of Incorporation have amended the quorum requirements under the Companies Act with respect to ordinary resolutions and special resolutions as follows:

(i) Ordinary resolution

The quorum requirement for an ordinary resolution has been removed by our Articles of Incorporation (save for a shareholders' meeting at which the appointment or dismissal of our Directors, or the appointment of our Statutory

Auditors, is to be considered). An ordinary resolution of a shareholders' meeting of our Company shall be made by a majority of the voting rights of the Shareholders present at the meeting who are entitled to exercise their voting rights.

(ii) Special resolution

The quorum requirement for a special resolution is Shareholders holding one-third of the outstanding Shares who are entitled to exercise their voting rights being present at the meeting.

For further details regarding a resolution of a general meeting of shareholders, see paragraph "Types of resolutions" in " — 3. Japanese Corporations Law — (g) Management / Corporate governance — (1) The general shareholders' meeting" in this Appendix.

Our Company has not issued any class of shares other than ordinary shares and there are no provisions in our Articles of Incorporation relating to class meetings.

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

There are no specific provisions in our Articles of Incorporation concerning 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 the 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. For further details, see " — 3. Japanese Corporations Law — (f) Rights of minority shareholders" in this Appendix.

(v) Procedures on liquidation

There are no specific provisions in our Articles of Incorporation concerning our Company's liquidation. Procedures on liquidation are provided by the Companies Act. For further details, see " — 3. Japanese Corporations Law — (m) Dissolution and liquidation — (2) Liquidation" in this Appendix.

(w) Untraceable members

There are no specific provisions in the Articles of Incorporation concerning untraceable members. In cases where notices have not reached a shareholder for five consecutive years and the shareholder of such shares has not received dividends of surplus for five consecutive years, a company shall be entitled to sell or auction the shares of such a shareholder according to the Companies Act. For further details, see " — 3. Japanese Corporations Law — (b) Share capital — (12) Untraceable shareholders" in this Appendix.

(x) Statutory Auditors

Our Articles of Incorporation provide the framework for the role played by the Statutory Auditors and the Board of Statutory Auditors. Our Articles of Incorporation specifically provide that the Company will have Statutory Auditors, a Board of Statutory Auditors and an Accounting Auditor, and that our Company shall have at least three Statutory Auditors.

The Statutory Auditors of our Company may be elected by the passing of a resolution by a majority of shareholders holding at least one-third of the voting rights of the Company. Their remuneration must also be similarly approved. Statutory Auditors are appointed for a four year term and at least one of them must be a full-time Statutory Auditor. Statutory Auditors have the same rights to receive indemnification as the Directors, as noted at (b)(xii) above.

Notice of the convocation of a meeting of the Board of Statutory Auditors shall be sent to each Statutory Auditor at least three days before the scheduled date of such meeting; however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Statutory Auditors give their consent. The operations of the Board of Statutory Auditors must follow the Rules and Standards, in addition to the Companies Act.

(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 the 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

Our Company treats a Shareholder who is stated or recorded in the shareholder registry and who holds voting right(s) on the last day of each financial year as a Shareholder who is entitled to exercise his rights as a Shareholder at the annual general 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.

DEPOSIT AGREEMENT

**BETWEEN
SBI HOLDINGS, INC.
AND
JPMORGAN CHASE BANK, N.A. as
Depositary**



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DEPOSIT AGREEMENT dated as of 30 March 2011 (the “**Deposit Agreement**”)

BETWEEN:

1. SBI Holdings, Inc., a company incorporated in Japan with limited liability whose registered address is at Izumi Garden Tower, 19th Floor, 1-6-1, Roppongi, Minato-ku, Tokyo, Japan, and its successors (the “**Company**”), and
2. **JPMORGAN CHASE BANK, N.A.**, a national banking association organized under the laws of the United States of America whose principal place of business is at One Chase Manhattan Plaza, Floor 58, New York, New York 10005, as depositary hereunder (the “**Depositary**”).

WHEREAS:

- (a) The Company was incorporated in Japan with limited liability on 8 July 1999.
- (b) As at the date hereof, the Shares (as defined herein) of the Company are listed on the Tokyo Stock Exchange and the Osaka Securities Exchange.
- (c) The Company is proposing a secondary listing and an initial offering (the “**Offering**”) of its HDRs (as defined herein) on the main board of the Stock Exchange of Hong Kong (as defined herein).
- (d) The Company hereby appoints the Depositary as depositary for the Deposited Securities (defined below) and hereby authorizes and directs the Depositary to act in accordance with the terms set forth in this Deposit Agreement. All capitalized terms used herein have the meanings ascribed to them in Section 1 or elsewhere in this Deposit Agreement.
- (e) The Depositary has agreed to act as Depositary in connection with the issue of the HDRs on the terms and subject to the conditions set out herein.

THE PARTIES HERETO AGREE as follows:

1.1 Certain Definitions.

- (a) “**Articles of Incorporation**” means the articles of incorporation of the Company, as certified by a notary public on 7 July 1999, and as amended from time to time.
- (b) “**Book-Entry Act**” means the Act Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. of Japan (Act No. 75 of 2001, as amended).
- (c) “**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.
- (d) “**CCASS Clearing Participant**” means a person admitted to participate in CCASS as a direct clearing or general clearing participant.
- (e) “**CCASS Custodian Participant**” means a person admitted to participate in CCASS as a custodian participant.
- (f) “**CCASS Investor Participant**” means a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation.

- (g) **“CCASS Participant”** means a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant.
- (h) **“Companies Act”** means the Companies Act of Japan (Act No. 86 of 2005, as amended).
- (i) **“Companies Ordinance”** means the Companies Ordinance (Cap 32 of the Laws of Hong Kong).
- (j) **“Custodian”** means the agent or agents of the Depository (singly or collectively, as the context requires) and any additional or substitute Custodian appointed pursuant to Section 9.
- (k) The terms **“deliver”**, **“execute”**, **“issue”**, **“register”**, **“surrender”**, **“transfer”** or **“cancel”**, when used with respect to Book-Entry HDRs, shall refer to an entry or entries or an electronic transfer or transfers made through CCASS, and, when used with respect to HDRs in physical certificated form, shall refer to the physical delivery, execution, issuance, registration, surrender, transfer or cancellation of certificates representing the HDRs.
- (l) **“Delivery Order”** is defined in Section 3.
- (m) **“Deposited Securities”** as of any time means all Shares at such time deposited under this Deposit Agreement and any and all other Shares, securities, property and cash at such time held by the Depository or the Custodian for the account of the Depository on behalf of the Holders in respect or in lieu of such deposited Shares and other Shares, securities, property and cash.
- (n) **“Distribution Compliance Period”** is defined in paragraph (3) of the form of HDR.
- (o) **“HDR Register”** is defined in paragraph (3) of the form of HDR.
- (p) **“HDRs”** means the depository receipts executed and delivered hereunder by the Depository as agent for the Company evidencing ownership of the HDSs representing the deposited Shares. HDRs may be either in physical certificated form or Book-Entry HDRs. HDRs in physical certificated form, and the terms and conditions governing the Book-Entry HDRs (as hereinafter defined), shall be substantially in the form of Exhibit A annexed hereto (the **“form of HDR”**). The term **“Book-Entry HDR”** means an HDR deposited in CCASS and traded and settled on a book-entry electronic basis. References to HDRs shall include certificated HDRs and Book-Entry HDRs, unless the context otherwise requires. The form of HDR is hereby incorporated herein and made a part hereof; the provisions of the form of HDR shall be binding upon the parties hereto.
- (q) **“HDSs”** means the Hong Kong Depository Shares representing the interests in the Deposited Securities and evidenced by the HDRs issued hereunder. Subject to paragraph (13) of the form of HDR, each **“HDS”** evidenced by an HDR represents the right to receive 0.1 Share and a pro rata share in any other Deposited Securities.
- (r) **“HKSCC”** means Hong Kong Securities Clearing Company Limited.
- (s) **“Holder”** means the person or persons in whose name an HDR is registered as legal owner or owners on the HDR Register.
- (t) **“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s

Republic of China.

- (u) “**JASDEC**” means the Japan Securities Depository Center, Inc., or any successor entity thereto.
- (v) “**Listing Rules**” means the rules entitled the “Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong”.
- (w) “**Prospectus**” means the prospectus to be issued by the Company on or around 31 March 2011 in connection with the listing of its HDRs.
- (x) “**Registrar**” means the HDR registrar appointed by the Depository and the Company pursuant to Section 10 which shall be a member of an association of persons approved under section 12 of the Securities & Futures (Stock Market Listing) Rules.
- (y) “**Regulation S**” means Regulation S, as promulgated under the Securities Act.
- (z) “**Rule 144 and Rule 144A**” mean Rules 144 and 144A, respectively, under the Securities Act.
- (aa) “**Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, in each case as amended from time to time.
- (bb) “**SFO**” means the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong).
- (cc) “**Shares**” mean the ordinary shares of the Company, and shall include the rights to receive Shares specified in paragraph (1) of the form of HDR.
- (dd) “**Stock Exchange of Hong Kong**” means The Stock Exchange of Hong Kong Limited.
- (ee) “**Transfer Office**” is defined in paragraph (3) of the form of HDR. As of the date of this Deposit Agreement, the address of the Transfer Office is: Computershare Hong Kong Investor Services Limited 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (ff) “**Withdrawal Order**” is defined in Section 6.

1.2 In this Deposit Agreement, unless otherwise specified:

1.2.1 references to “**Recitals**”, “**Sections**”, “**Clauses**”, “**paragraphs**”, “**Exhibits**” and “**Schedules**” are to recitals, sections, clauses, paragraphs and exhibits of and schedules to this Deposit Agreement;

1.2.2 a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;

1.2.3 references to a “**company**” shall be construed so as to include any company, corporation or other body corporate, whenever and however incorporated or established

1.2.4 references to a “**person**” shall be construed so as to include any individual, firm, company, government, state or agency of a state or any joint venture, association or

partnership (whether or not having separate legal personality)

1.2.5 references to writing shall include any modes of reproducing words in a legible and non-transitory form;

1.2.6 references to times of the day, unless otherwise specified, are to Hong Kong time;

1.2.7 headings to Clauses, Sections, Exhibits and Schedules are for convenience only and do not affect the interpretation of this Deposit Agreement;

1.2.8 the Exhibits, Schedules and Recitals form part of this Deposit Agreement and shall have the same force and effect as if expressly set out in the body of this Deposit Agreement, and any reference to this Deposit Agreement shall include the Exhibits, Schedules and Recitals; and

1.2.9 words in the singular shall include the plural (and vice versa) and words importing one gender shall include the other two genders.

2. HDRs. (a) HDRs in certificated form shall be engraved, printed or otherwise reproduced at the discretion of the Depositary in accordance with its customary practices in its Hong Kong depositary receipt business and in compliance with the requirements of all applicable laws and regulations, including the Listing Rules, or at the request of the Company typewritten and photocopied on plain or safety paper, and shall be substantially in the form set forth in the form of HDR, with such changes as may be required by the Depositary or the Company to comply with their obligations hereunder, any applicable law, regulation or usage or to indicate any special limitations or restrictions to which any particular HDRs are subject. HDRs issued in either certificated or book-entry form may be issued in denominations of any number of HDSs. HDRs in certificated form shall be executed by the Depositary by the manual or facsimile signature of a duly authorized officer of the Depositary. HDRs in certificated form bearing the facsimile signature of anyone who was at the time of execution a duly authorized officer of the Depositary shall bind the Depositary, notwithstanding that such officer has ceased to hold such office prior to the delivery of such HDRs.

(b) **CCASS.** The Company shall make arrangements for the HDRs to be accepted by HKSCC for deposit, clearance and settlement through CCASS. All HDRs held through CCASS will be registered in the name of the nominee of CCASS, namely, HKSCC Nominees Limited. The Depositary undertakes to comply, on behalf of the Company, with the trading and settlement rules applicable to the Depositary set out in the Listing Rules, subject to the compliance by the Company hereto with the terms hereof and the payment of any and all charges, fees and expenses provided for by this Deposit Agreement.

3. Deposit of Shares. In connection with the deposit of Shares hereunder, the Depositary or the Custodian may require the following in form satisfactory to it: (a) a written order directing the Depositary to issue to, or upon the written order of, the person or persons designated in such order a Book-Entry HDR or HDRs evidencing the number of HDSs representing such deposited Shares (a "Delivery Order"); (b) proper endorsements or duly executed instruments of transfer in respect of such deposited Shares; and (c) instruments assigning to the Depositary, the Custodian or a nominee of either any distribution on or in respect of such deposited Shares or indemnity therefor. The Custodian shall keep a record of all deposits of Shares. As soon as practicable after the Custodian receives the Deposited Securities pursuant to any such deposit or pursuant to paragraph (10) or (13) of the form of HDR, the Custodian shall present such Deposited Securities for registration of transfer into the name of the Depositary, the Custodian or a nominee of either, to the extent such registration is practicable, at the cost and expense of the person making such deposit (or for whose benefit such deposit is made) and shall obtain evidence satisfactory to it of such registration. Deposited Securities shall be held by the Custodian for the account and to the order of the Depositary at such place or places and in such manner as the Depositary shall determine. Deposited Securities may be

delivered by the Custodian to any person only under the circumstances expressly contemplated in this Deposit Agreement. To the extent that the provisions of or governing the Shares make delivery of certificates therefor impracticable, Shares may be deposited hereunder by such delivery thereof as the Depository or the Custodian may reasonably accept, including, without limitation, by causing them to be credited to an account maintained by the Custodian for such purpose with the Company or an accredited intermediary, such as a bank, acting as a registrar for the Shares, together with delivery of the documents, payments and Delivery Order referred to herein to the Custodian or the Depository or by causing them to be credited to an account maintained by the Custodian with JASDEC or an account management institution participating in the scripless book-entry settlement system operated by JASDEC. The Depository hereby declares and confirms that it will hold the rights relating to the Deposited Securities and all money and benefits that it may receive in respect of the Deposited Securities for the benefit of the Holders as bare trustee. For the avoidance of doubt, in acting hereunder, the Depository shall have only those duties, obligations and responsibilities expressly specified in this Deposit Agreement and other than holding the Deposited Securities as bare trustee as set out herein, it does not assume any relations of trust for or with the Holder or any other person.

4. Issue of HDRs. After any such deposit of Shares, the Custodian shall notify the Depository of such deposit and of the information contained in any related Delivery Order by letter, first class airmail postage prepaid, or, at the request, risk and expense of the person making the deposit, by cable, telex or facsimile transmission. If, at any time, the Depository deems it necessary or appropriate to comply with relevant securities laws, and at any time during the Distribution Compliance Period, the Depository shall be entitled to obtain an executed acquirer certificate substantially in the form of Exhibit B-1 hereto (or in such other form as the Depository shall approve) in connection with each such deposit from or on behalf of each person named in the Delivery Order to whom an HDR or HDRs is/are to be registered. After receiving such notice from the Custodian and any required acquirer certificate, the Depository, subject to this Deposit Agreement, shall properly issue as agent of the Company at the Transfer Office, to or upon the order of any person named in such notice, an HDR or HDRs registered as requested and evidencing the aggregate HDSs to which such person is entitled.

5. Distributions on Deposited Securities. To the extent that the Depository determines in its discretion that any distribution pursuant to paragraph (10) of the form of HDR is not practicable with respect to any Holder, the Depository may make such distribution as it so deems practicable, including the distribution of foreign currency, securities or property (or appropriate documents evidencing the right to receive foreign currency, securities or property) or the retention thereof as Deposited Securities with respect to such Holder's HDRs (without liability for interest thereon or the investment thereof).

6. Withdrawal of Deposited Securities. A Holder may from time to time surrender the HDRs for cancellation and request for the Deposited Securities represented by the HDSs to be transferred to the name of the Holder, in each case in accordance with the terms of this Deposit Agreement provided that a Holder may only request for withdrawal of Shares represented by ten (10) HDRs or multiples thereof and any Holder requesting a withdrawal of Shares that are traded on the Tokyo Stock Exchange or the Osaka Securities Exchange must have a securities account opened at an account management institution participating in the scripless book-entry settlement system operated by JASDEC, to which the Deposited Securities to be withdrawn will be credited. In connection with any surrender of an HDR for withdrawal of the Deposited Securities represented by the HDSs evidenced thereby, the Depository may require (a "Withdrawal Order") (i) proper endorsement in blank of such HDR (or duly executed instruments of transfer thereof in blank) and the Holder's written order directing the Depository to cause the Deposited Securities represented by the HDSs evidenced by such HDR to be withdrawn and delivered to, or upon the written order of, any person designated in such order, and (ii) details of any securities account(s) as designated by such Holder(s) to which the Shares representing the Deposited Securities to be withdrawn shall be credited, which securities account(s) shall be opened at JASDEC or an account management institution participating in the scripless book-entry settlement system operated by JASDEC. Directions from the Depository to the Custodian to deliver Deposited Securities shall be given by letter, first class airmail

postage prepaid, or, at the request, risk and expense of the Holder, by cable, telex or facsimile transmission. Delivery of Deposited Securities may be made by the delivery of certificates (which, if required by law shall be properly endorsed or accompanied by properly executed instruments of transfer or, if such certificates may be registered, registered in the name of such Holder or as ordered by such Holder in any Withdrawal Order) or by such other means as the Depositary may deem practicable, including, without limitation, by transfer of record ownership thereof to an account designated in the Withdrawal Order maintained either by the Company or an accredited intermediary, such as a bank, acting as a registrar for the Deposited Securities or by causing them to be credited to the account at JASDEC or an account management institution participating in the scripless book-entry settlement system operated by JASDEC designated by the Holder. The Custodian shall keep a record of all withdrawals of Deposited Securities.

7. Substitution of HDRs. The Depositary shall execute and deliver a new certificated HDR or Book-Entry HDR in exchange and substitution for any mutilated certificated HDR upon cancellation thereof or in lieu of and in substitution for such destroyed, lost or stolen certificated HDR, unless the Depositary has notice that such HDR has been acquired by a bona fide purchaser, upon the Holder thereof filing with the Depositary a request for such execution and delivery, a sufficient indemnity bond and satisfying any other reasonable requirements imposed by the Depositary. The Depositary will comply with the lost certificate replacement procedures applicable to shares set out in the relevant subsection(s) of Section 71A of the Companies Ordinance to the extent practicable.

8. Cancellation and Destruction of HDRs. All HDRs surrendered to the Depositary shall be cancelled by the Depositary. The Depositary is authorized to destroy HDRs in certificated form so cancelled in accordance with its customary practices.

9. The Custodian. The Custodian shall be appointed by the Depositary to hold the deposited Shares for the account of the Depositary on behalf of the Holders, segregated from all other property of the Custodian. Any Custodian acting hereunder shall be subject to the directions of the Depositary and shall be responsible solely to it. The Depositary reserves the right to add, replace, discharge or remove a Custodian, after consultation with the Company to the extent practicable. The Depositary will give prompt notice of any such action, which will be advance notice if practicable in accordance with the Listing Rules.

Any Custodian may resign from its duties hereunder by serving at least 45 days written notice to the Depositary at the address set out in Section 17. Any Custodian ceasing to act hereunder as Custodian shall deliver, upon the instruction of the Depositary, all Deposited Securities held by it to a Custodian continuing to act.

Notwithstanding the foregoing, if the removal of a Custodian is made by the Depositary for the protection of the Holders (including, but not limited to, where (i) the Custodian has committed a material breach under the custodian agreement and the breach cannot reasonably be remedied or (ii) the Custodian has become insolvent, or there are legal restrictions for the appointment of the Custodian and the Depositary or the Company could reasonably be expected to incur a loss or liability if the Custodian is not removed), the Depositary is entitled to remove the Custodian immediately.

The Company agrees and undertakes that upon receipt of any notice of a change of any Custodian, it shall as soon as practicable, notify the Stock Exchange of Hong Kong and make appropriate disclosure in accordance with the Listing Rules, including publishing an announcement of the change of the Custodian.

10. Registrar and Transfer Agent, Co-Registrars and Co-Transfer Agents. The Depositary shall appoint and may remove the (i) registrar, who will satisfy the Registrar requirements under the Listing Rules, to maintain the HDR Register and to register HDSs, HDRs and transfers, combinations and split-ups of HDRs and to countersign HDRs in accordance with the terms of any

such appointment and (ii) transfer agent for the purpose of effecting transfers, combinations and split-ups of HDRs at designated transfer offices on behalf of the Depositary. The Depositary may appoint and remove (i) co-registrars to register HDRs, HDSs and transfers, combinations and split-ups of HDRs and to countersign HDRs in accordance with the terms of any such appointment and (ii) co-transfer agents for the purpose of effecting transfers, combinations and split-ups of HDRs at designated transfer offices on behalf of the Depositary. Each registrar, transfer agent, co-registrar or co-transfer agent (other than JPMorgan Chase Bank, N.A.) shall give notice in writing to the Company and the Depositary accepting such appointment and agreeing to be bound by the applicable terms of this Deposit Agreement.

11. Lists of Holders. The Company shall have the right to inspect transfer records of the Depositary and its agents and the HDR Register, take copies thereof and require the Depositary and its agents to supply copies of such portions of such records as promptly as reasonably practical the Company may reasonably request. The Depositary or its agent shall furnish to the Company on or before the fifth day of every month a list of the names, addresses and holdings of HDSs by all Holders as of the last business day of the previous month.

12. Depositary's Agents. The Depositary may perform its obligations under this Deposit Agreement through any agent appointed by it, provided that the Depositary shall notify the Company of such appointment and shall remain responsible for the performance of such obligations as if no agent were appointed, subject to Section 14 of the form of HDR.

13. Successor Depositary. The Depositary may at any time resign as Depositary hereunder by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided. The Depositary may at any time be removed by the Company by providing no less than 90 days prior written notice of such removal to the Depositary, such removal to take effect the later of (i) the 90th day after such notice of removal is first provided and (ii) the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided. Notwithstanding the foregoing, if upon the resignation or removal of the Depositary a successor depositary is not appointed within the applicable 45-day period (in the case of resignation) or 90-day period (in the case of removal) as specified in paragraph (17) of the form of HDR, then the Depositary may elect to terminate this Deposit Agreement and the HDR and the provisions of said paragraph (17) shall thereafter govern the Depositary's obligations hereunder. In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in Hong Kong. Every successor depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor. The predecessor depositary, only upon payment of all sums due to it and on the written request of the Company, shall (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than its rights to indemnification and fees owing, each of which shall survive any such removal and/or resignation), (ii) duly assign, transfer and deliver all right, title and interest to the Deposited Securities to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding HDRs. Any such successor depositary shall promptly mail notice of its appointment to such Holders. Any bank or trust company into or with which the Depositary may be merged or consolidated, or to which the Depositary shall transfer substantially all its Hong Kong depositary receipt business, shall be the successor of the Depositary without the execution or filing of any document or any further act. Any successor depositary, including in connection with any merger or consolidation of the Depositary, shall be acceptable to the Stock Exchange of Hong Kong in accordance with the Listing Rules. The Company agrees and undertakes that upon receipt of any notice of resignation from the Depositary or its service of notice on the Depositary of the termination of its appointment, it shall as soon as practicable, notify the Stock Exchange of Hong Kong and make appropriate disclosure in accordance with the Listing Rules,

including publishing an announcement of the prospective resignation, removal and/or replacement of the Depositary.

14. Reports. On or before the first date on which the Company makes any communication available to holders of Deposited Securities or any securities regulatory authority or stock exchange, by publication or otherwise, such communications to be in dual English and Chinese format in the manner and to the extent required by the Listing Rules, the Company shall transmit to the Depositary copies thereof. After receiving such communications from the Company, the Depositary will (a) forward such communications to the Holders and (b) make available for inspection at the principal office of the Depositary and the office of the Custodian copies of any such documents or communications received from the Company. The Company has delivered to the Depositary, the Custodian and any Transfer Office, a copy of all provisions of or governing the Shares and any other Deposited Securities issued by the Company or any affiliate of the Company and, promptly upon any change thereto, the Company shall deliver to the Depositary, the Custodian and any Transfer Office, a copy (in English or with an English translation) of such provisions as so changed. The Depositary and its agents may rely upon the Company's delivery thereof for all purposes of this Deposit Agreement.

15. Additional Shares. Neither the Company nor any company controlling, controlled by or under common control with the Company shall issue additional Shares, rights to subscribe for Shares, securities convertible into or exchangeable for Shares or rights to subscribe for any such securities or shall deposit any Shares in Hong Kong under this Deposit Agreement, except under circumstances complying in all respects with all the relevant laws and regulations, including, without limitation, the Securities Act, the Companies Ordinance, the Listing Rules (for the avoidance of doubt, except for the provisions of the Listing Rules which relevant waivers are granted by the Stock Exchange of Hong Kong) and the SFO, the Companies Act, the Book-Entry Act, the rules of the Tokyo Stock Exchange, the rules of the Osaka Securities Exchange, the rules of JASDEC, the Articles of Incorporation and the share handling regulations of the Company. The Depositary will use reasonable efforts to comply with written instructions of the Company not to accept for deposit hereunder any Shares identified in such instructions at such times and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with securities laws in Hong Kong.

16. Indemnification. The Company shall indemnify, defend and save harmless each of the Depositary and its agents against any loss liability or expense (including reasonable fees and expenses of legal advisers) which may arise out of acts performed or omitted (i) in connection with the provisions of this Deposit Agreement and of the HDRs, as the same may be amended, modified or supplemented from time to time in accordance herewith or (ii) at the direction of the Company in connection with this Deposit Agreement or the HDRs, as the same may be amended, modified or supplemented from time to time in accordance herewith, in each case by either the Depositary or its agents or their respective directors, employees, agents and affiliates, except, in connection with clause (i) above, for any liability or expense directly arising out of the negligence or willful misconduct of the Depositary or its agents or their respective directors, employees, agents and affiliates.

The indemnities set forth in the preceding paragraph shall also apply to any liability or expense which may arise out of any misstatement or alleged misstatement or omission or alleged omission in any registration statement, proxy statement, prospectus (or placement memorandum), or preliminary prospectus (or preliminary placement memorandum) relating to the offer or sale of HDRs, except to the extent any such liability or expense arises out of (i) information relating to the Depositary or its agents (other than the Company), as applicable, furnished in writing by the Depositary and not changed or altered by the Company expressly for use in any of the foregoing documents or (ii) if such information is provided, the failure to state a material fact necessary to make the information provided not misleading.

Notwithstanding any other provision of this Deposit Agreement or the form of HDR to the

contrary, neither the Depositary, nor any of its agents, shall be liable for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

The obligations set forth in this Section 16 shall survive the termination of this Deposit Agreement and the succession or substitution of any indemnified person.

17. Notices. Notice to any Holder shall be deemed given when first mailed, first class postage prepaid, to the address of such Holder on the HDR Register or received by such Holder. Notice to the Depositary or the Company shall be deemed given when first received by it at the address or facsimile transmission number set forth in (a) or (b), respectively, or at such other address or facsimile transmission number as either may specify to the other by written notice:

- (a) JPMorgan Chase Bank, N.A.
8 Connaught Road,
Chater House, 20/F, Central
Hong Kong
Tel: (852) 2800 1851
Fax: (852) 2167 7178

with a copy to:

JPMorgan Chase Bank, N.A.
One Chase Manhattan Plaza, Floor 58
New York, New York 10005
Attention: HDR Administration
Fax: (212) 552-6650

- (b) SBI Holdings, Inc.
Izumi Garden Tower
19th Floor
1-6-1, Roppongi, Minato-ku
Tokyo
Japan
Attention: General Affairs Department
Fax: +81-3-3589-7958

18. Miscellaneous. (a) This Deposit Agreement is for the exclusive benefit of the Company, the Depositary, and their respective successors hereunder, and shall not give any legal or equitable right, remedy or claim whatsoever to any other person. The Company and the Depositary will execute a deed poll in substantially the form set out in Exhibit C-1 hereto in favour of and in relation to the rights of the HDR Holders. (b) If any provision of this Deposit Agreement is invalid, illegal or unenforceable in any respect, the remaining provisions shall in no way be affected thereby. (c) This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one instrument.

19. Governing law. This Deposit Agreement shall be governed and construed in accordance with the laws of Hong Kong.

20. Consent to Jurisdiction. The parties agree that the courts of Hong Kong shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Deposit Agreement (respectively, “**Proceedings**” and “**Disputes**”) and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of Hong Kong, provided always that the parties agree and acknowledge that if the Company irrevocably

submits to any other jurisdiction, the Depositary shall have the right to bring proceedings in any court of competent jurisdiction in that other jurisdiction. Each party irrevocably waives any objection which it might at any time have to the courts of Hong Kong, or such other court as may be chosen by the Depositary, being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of Hong Kong, or such other court as may be chosen by the Depositary, are not a convenient or appropriate forum.

The Depositary hereby appoints Kenneth Tse of JPMorgan Chase Bank, N.A., 20/F Chater House, 8 Connaught Road, Central, Hong Kong as its agent to receive on its behalf service of process in the courts of Hong Kong. The Company hereby appoints Hideo Nakamura, the authorized representative of the Company, of Suite 806, 8/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong as its agent to receive on its behalf service of process in the courts of Hong Kong. If such agent ceases to be an agent of the relevant parties, the relevant party shall promptly appoint and notify the other party of the identity of its new agent in Hong Kong. In the event the Company fails to continue such designation and appointment in full force and effect, the Company hereby waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to the Company at its address last specified for notices hereunder, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

To the extent that the Company or any of its properties, assets or revenues may have or may hereafter be entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or other matter under or arising out of or in connection with the Shares or Deposited Securities, the HDSs, the HDRs or this Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

21. Commencement and Termination. (a) This Deposit Agreement shall take effect from the date of this Deposit Agreement first above written. (b) The Company shall forthwith notify the Depositary in writing ("Termination Notice") in the event that any of the Company and/or the underwriters to the Offering decides not to proceed with the Offering. If any HDRs are issued pursuant to this Deposit Agreement and the Offering does not proceed for whatever reason, the Company shall forthwith after service of a Termination Notice procure each and all such HDR Holders to surrender the HDRs for cancellation in accordance with Section 6 above. In such event, this Deposit Agreement shall terminate forthwith upon the earlier of (i) the delivery in accordance with the provisions of Section 6 of the respective Deposited Securities represented by the HDRs so withdrawn under this Section 21(b), or (ii) the third day after service of a Termination Notice upon the Depositary, provided that in either case such termination of this Deposit Agreement shall be without prejudice to any accrued rights and liabilities of the parties, and Sections 16, 17, 19, 20 and 21 shall survive such termination and continue in full force and effect. (c) Notwithstanding any other provision of this Deposit Agreement, if the Offering does not complete within 60 days from the date of this Deposit Agreement, this Deposit Agreement shall forthwith terminate, provided that such termination of this Deposit Agreement shall be without prejudice to any accrued rights and liabilities of the parties, and Sections 16, 17, 19, 20 and 21 shall survive such termination and continue in full force and effect.

IN WITNESS WHEREOF this Deposit Agreement has been executed on behalf of the parties hereto the day and year first before written.

The Company

SIGNED by)
on behalf of **SBI HOLDINGS, INC.**)
in the presence of:)

The Depositary

SIGNED by)
on behalf of)
JPMORGAN CHASE BANK, N.A.)
in the presence of:)

EXHIBIT A
ANNEXED TO AND INCORPORATED IN
DEPOSIT AGREEMENT

[FORM OF FACE OF HDR]

Number

No. of HDSs:

Each HDS represents
0.1 Share

CUSIP:

HONG KONG DEPOSITARY RECEIPT

evidencing

HONG KONG DEPOSITARY SHARES

representing

ORDINARY SHARES

of

SBI HOLDINGS, INC.

(Incorporated under the laws of Japan with limited liability)

NEITHER THIS HDR, THE HDSs EVIDENCED HEREBY, NOR THE SHARES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE RE-OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND, PRIOR TO THE EXPIRATION OF THE APPLICABLE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

UPON THE EXPIRATION OF THE APPLICABLE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), THIS HDR, THE HDSs EVIDENCED HEREBY AND THE DEPOSITED SECURITIES REPRESENTED BY HDSs SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS

LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER AND SALE OF THE HDSs EVIDENCED HERBY AND THE DEPOSITED SECURITIES REPRESENTED THEREBY BY THE HOLDER THEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE, TERRITORY OR POSSESSION OF THE UNITED STATES.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS HDR OR A BENEFICIAL INTEREST IN THE HDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

JPMORGAN CHASE BANK, N.A., a national banking association organized under the laws of the United States of America, as depositary hereunder (the "Depositary"), hereby certifies that _____ is the registered owner (a "Holder") of _____ Hong Kong Depositary Shares ("HDSs"), each (subject to paragraph (13)) representing 0.1 ordinary shares (including the rights to receive Shares described in paragraph (1), "Shares" and, together with any other securities, cash or property from time to time held by the Depositary in respect or in lieu of deposited Shares, the "Deposited Securities"), of SBI Holdings, Inc., a corporation organized under the laws of Japan (the "Company"), deposited under the Deposit Agreement dated as of 30 March 2011, (as amended from time to time, the "Deposit Agreement") between the Company and the Depositary. This Hong Kong Depositary Receipt ("HDR") (which includes the provisions set forth on the reverse hereof) shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

(1) Issuance and Pre-Release of HDSs. This HDR is one of the HDRs issued under the Deposit Agreement. Subject to the further terms and provisions of this paragraph (1), the Depositary, its affiliates and their agents, on their own behalf, may own and deal in any class of securities of the Company and its affiliates and in HDSs. In its capacity as Depositary, the Depositary shall not lend Shares or HDSs; provided, however, that the Depositary may (i) issue HDSs prior to the receipt of Shares and (ii) deliver Shares prior to the receipt of HDSs for withdrawal of Deposited Securities, including HDSs which were issued under (i) above but for which Shares may not have been received (each such transaction a "Pre-Release"). The Depositary may receive HDSs in lieu of Shares under (i) above (which HDSs will promptly be canceled by the Depositary upon receipt by the Depositary) and receive Shares in lieu of HDSs under (ii) above. Each such Pre-Release will be subject to a written agreement whereby the person or entity (the "Applicant") to whom HDSs or Shares are to be delivered (a) represents that at the time of the Pre-Release the Applicant or its customer owns the Shares or HDSs that are to be delivered by the Applicant under such Pre-Release, (b) agrees to indicate the Depositary as owner of such Shares or HDSs in its records and to hold such Shares or HDSs in trust for the Depositary until such Shares or HDSs are delivered to the Depositary or the Custodian, (c) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or HDSs, and (d) agrees to any additional restrictions or requirements that the Depositary deems appropriate. Each such Pre-Release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the Depositary deems appropriate, terminable by the Depositary on not more than five (5) business days' notice and subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of HDSs and Shares involved in such Pre-Release at any one time to thirty percent (30%) of the HDSs outstanding (without giving effect to HDSs outstanding under (i) above), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The Depositary may also set limits with respect to the number of HDSs and Shares involved in Pre-Release with any one person on a case-by-case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the Holders (other than the Applicant).

Every person depositing Shares under the Deposit Agreement represents and warrants that such Shares are validly issued and outstanding, fully paid, nonassessable and free of pre-emptive rights, and that the person making such deposit is duly authorized so to do. Such representations and warranties shall survive the deposit of Shares and issuance of HDRs or adjustment of the Depositary's records in respect of the HDRs. The Depositary may refuse to accept Shares for deposit if such action is deemed necessary or desirable by the Depositary, in good faith, at any time or from time to time because of any requirement or law or rule of any government or governmental authority, body or commission or stock exchange or under any provision of this Deposit Agreement or for any other reason.

(2) Withdrawal of Deposited Securities. A Holder may from time to time surrender the HDRs for cancellation and request for the Deposited Securities represented by the HDSs to be transferred to the name of the Holder, in each case in accordance with the terms of the Deposit Agreement; provided that a Holder may only request for withdrawal of Shares represented by ten (10) HDRs or multiples thereof and any Holder requesting a withdrawal of Shares that are traded on the Tokyo Stock Exchange or Osaka Securities Exchange must have a securities account, opened at an account management institution participating in the scripless book-entry settlement system operated by JASDEC, to which the Deposited Securities to be withdrawn will be credited. Subject to paragraphs (4) and (5), upon surrender of (i) a certificated HDR in form satisfactory to the Depositary at the Transfer Office, (ii) proper instructions and documentation in the case of a Book-Entry HDR, the Holder hereof is entitled to delivery at, or to the extent in dematerialized form from, the Custodian's office of the Deposited Securities at the time represented by the HDSs evidenced by this HDR, and (iii) with respect to withdrawals during the Distribution Compliance Period, receipt by the Depositary of an executed certification substantially in the form of Exhibit B-2-1 annexed to this Deposit Agreement (or in such other form as the Depositary shall approve) by or on behalf of such beneficial owner or Holder, as the case may be, provided that the Depositary may deliver Shares prior to the receipt of HDSs for withdrawal of Deposited Securities, including HDSs which were issued under (1) above but for which Shares may not have been received (until such HDSs are actually deposited, "Pre-released Shares") only if all the conditions in (1) above related to such Pre-Release are satisfied). At the request, risk and expense of the Holder hereof, the Depositary may deliver such Deposited Securities at such other place outside the United States as may have been requested by the Holder.

(3) Transfers of HDRs. The Depositary or its agent will keep, at a designated transfer office in Hong Kong (the "**Transfer Office**"), (a) a register (the "**HDR Register**") for the registration of HDRs and their Holders and the registration of issue, transfer, combination, split-up and cancellation of HDRs, which at all reasonable times will be open for inspection by Holders, the Company and any person for the purpose of communicating with Holders in the interest of the business of the Company or a matter relating to the Deposit Agreement and (b) facilities for the delivery and receipt of HDRs. Subject to the restrictions on transfer appearing hereon, title to this HDR (and to the Deposited Securities represented by the HDSs evidenced hereby), when properly endorsed (in the case of HDRs in certificated form) or upon delivery to the Depositary of proper instruments of transfer, is transferable by delivery with the same effect as in the case of negotiable instruments under the laws of Hong Kong; provided that the Depositary, notwithstanding any notice to the contrary, may treat the person in whose name this HDR is registered on the HDR Register as the absolute owner hereof for all purposes and neither the Depositary nor the Company will have any obligation or be subject to any liability under the Deposit Agreement to any holder of an HDR, unless such holder is the Holder thereof. Subject to paragraphs (4) and (5) and the restrictions on transfer appearing hereon, this HDR is transferable on the HDR Register and may be split into other HDRs or combined with other HDRs into one HDR, evidencing the aggregate number of HDSs surrendered for split-up or combination, by the Holder hereof or by duly authorized attorney upon surrender of this HDR at the Transfer Office properly endorsed (in the case of HDRs in certificated form) or upon delivery to the Depositary of proper instruments of transfer and duly stamped as may be required by applicable law; provided that the Depositary may close the HDR Register at any time or from time to time when deemed expedient by it

or requested by the Company. All transfers of HDRs shall be effected by transfer in the usual or common form or in such other form as the Depository may accept provided always that it shall be in such a form prescribed by the Stock Exchange of Hong Kong and may be under hand only, or if the transferor or transferee is a nominee of CCASS, under hand or by machine imprinted signature or by such other means of execution as the Depository may approve from time to time. At the request of a Holder, the Depository shall, for the purpose of substituting a certificated HDR with a Book-Entry HDR, or vice versa, execute and deliver a certificated HDR or a Book-Entry HDR, as the case may be, for any authorized number of HDSs requested, evidencing the same aggregate number of HDSs as those evidenced by the certificated HDR or Book-Entry HDR, as the case may be, substituted. Nothing in this certificate or the Deposit Agreement affects the right of the Company under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) to investigate the ownership of the Shares or title to this HDR (and to the Deposited Securities represented by the HDSs evidenced by them). Following completion of the Offering, a registration statement on Form F-6 under the Securities Act relating to the HDSs may be filed with the U.S. Securities and Exchange Commission (the “SEC”). Any such registration statement will not be filed and would not be declared effective until after the date which is the latest of the commencement of the Offering, the original issue date of the HDSs in the Offering and the issue date with respect to any additional HDSs, if any, issued to cover over-allotments in the Offering, to the date 40 days after such date (such 40 day period being the “Distribution Compliance Period”). Prior to the expiration of the Distribution Compliance Period, no Holder may transfer HDSs or Shares represented thereby to, or for the account of, a qualified intuitional buyer (within the meaning of Rule 144A, a “QIB”)

(4) Certain Limitations. Prior to the issue, registration, registration of transfer, split-up or combination of any HDR, the delivery of any distribution in respect thereof, the withdrawal of any Deposited Securities, and from time to time in the case of clause (b)(ii) of this paragraph (4), the Company, the Depository or the Custodian may require: (a) payment with respect thereto of (i) any stamp duty, stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of Shares or other Deposited Securities upon any applicable register and (iii) any applicable charges as provided in paragraph (7) of this HDR; (b) the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing Deposited Securities and terms of the Deposit Agreement and this HDR, as it may deem necessary or proper; and (c) compliance with such regulations as the Depository may establish consistent with the Deposit Agreement. The issuance of HDRs, the acceptance of deposits of Shares, the registration, registration of transfer, split-up or combination of HDRs, the withdrawal of Deposited Securities may be suspended, generally or in particular instances, when the HDR Register or any register for Deposited Securities or book-entry of the Shares is closed or when any such action is deemed advisable by the Depository.

(5) Taxes. If any tax or other governmental charge shall become payable by or on behalf of the Custodian or the Depository with respect to this HDR, any Deposited Securities represented by the HDSs evidenced hereby or any distribution thereon, such tax or other governmental charge shall be paid by the Holder hereof to the Depository. The Depository may refuse to effect any registration, registration of transfer, split-up or combination hereof or, subject to the last sentence of paragraph (2), any withdrawal of such Deposited Securities until such payment is made. The Depository may also deduct from any distributions on or in respect of Deposited Securities, or may sell by public or private sale for the account of the Holder hereof any part or all of such Deposited Securities (after attempting by reasonable means to notify the Holder hereof prior to such sale), and may apply such deduction or the proceeds of any such sale in payment of such tax or other governmental charge, the Holder hereof remaining liable for any deficiency, and shall reduce the number of HDSs evidenced hereby to reflect any such sales of Shares. In connection with any distribution to Holders, the Company will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld and owing to such authority or agency by the Company; and the Depository and the Custodian will remit to the

appropriate governmental authority or agency all amounts (if any) required to be withheld and owing to such authority or agency by the Depositary or the Custodian. If the Depositary determines that any distribution in property other than cash (including Shares or rights) on Deposited Securities is subject to any tax that the Depositary or the Custodian is obligated to withhold, the Depositary may dispose of all or a portion of such property in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes, by public or private sale, and the Depositary shall distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes to the Holders entitled thereto. Each Holder of an HDR or an interest therein agrees to indemnify the Depositary, the Company, the Custodian and any of their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

(6) Disclosure of Interests. To the extent that the provisions of or any applicable laws and regulations governing any Deposited Securities may require disclosure of or impose limits on beneficial or other ownership of Deposited Securities, other shares or other securities of the Company and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, Holders and all persons holding HDRs agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable Company instructions in respect thereof. Holders and all persons holding HDRs should note that pursuant to the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948) (“FIEA”), persons who acquire title to, or a call option for, equity securities (or who are authorised to exercise (or instruct the exercise of) the voting rights and other rights attached to, or who are authorised to invest in, equity securities) including shares, share acquisition rights, bonds with share acquisition rights and similar securities issued or to be issued by a listed company representing more than 5% of the outstanding voting rights (“Large Volume Holder”) are required to file a “large shareholding report” in the form provided by the Cabinet Office Ordinance concerning Disclosure of Status of Large Volume Holding of Share Certificates (Ordinance of the Ministry of Finance No. 36 of 1990, as amended), to the director-general of the local finance bureau, and a copy thereof to the issuer of such equity securities and stock exchanges on which such shares are listed, within five (5) business days from the date on which such person has come to be a Large Volume Holder pursuant to Article 27-23 of the FIEA. For the avoidance of doubt, HKSCC and HKSCC Nominees Limited (or any successor thereto) shall be exempted from any requirement to make any declaration or representations and/or to provide information on the nationality, identity and/or other particulars of the beneficial owners of the HDRs and the Company and the Depositary acknowledge that HKSCC and HKSCC Nominees Limited do not recognize the interest of the CCASS Participants’ clients in respect of HDRs deposited into CCASS. The Company reserves the right to instruct Holders to deliver their HDSs for cancellation and withdrawal of the Deposited Securities so as to permit the Company to deal directly with the Holder thereof as a holder of Shares and Holders agree to comply with such instructions. The Depositary agrees to cooperate with the Company in its efforts to inform Holders of the Company’s exercise of its rights under this paragraph and agrees to consult with, and provide reasonable assistance without risk, liability or expense on the part of the Depositary, to the Company on the manner or manners in which it may enforce such rights with respect to any Holder.

(7) Fees and Charges of Depositary. The Depositary may collect from (i) each person to whom HDSs are issued, including, without limitation, issuances against deposits of Shares, issuances in respect of Share Distributions, Rights and Other Distributions (as such terms are defined in paragraph (10)), issuances pursuant to a stock or share dividend, gratuitous allocation of shares or share or stock split declared by the Company, or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the HDSs or the Deposited Securities, and (ii) each person surrendering HDSs for withdrawal of Deposited Securities or whose HDSs are cancelled or reduced for any other reason, HK\$0.40 for each HDS issued, delivered, reduced, cancelled or surrendered (as the case may be). For the avoidance of doubt, HKSCC Nominees Limited, as the nominee for CCASS Participants, excluding its participants, shall not be liable to the Depositary for the payment or collection of any fees or charges and, accordingly, any reference in this Section 7 to

"Holder" shall, in the case of HKSCC Nominees Limited being a Holder by being the registered owner of HDRs holding as nominee for the benefit of CCASS Participants, mean those CCASS Participants and not HKSCC Nominees Limited. The Depositary may sell (by public or private sale) sufficient securities and property received in respect of Share Distributions, Rights and Other Distributions prior to such deposit to pay such charge. The following additional charges shall be incurred by the Holders, by any party depositing or withdrawing Shares or by any party surrendering HDSs, to whom HDSs are issued (including, without limitation, issuance pursuant to a stock or share dividend, gratuitous allocation of shares or share or stock split declared by the Company or an exchange of stock regarding the HDSs or the Deposited Securities or a distribution of HDSs pursuant to paragraph (10)), whichever is applicable (i) a fee of HK\$0.40 or less per HDS for any Cash distribution made pursuant to the Deposit Agreement, (ii) a fee of HK\$2.50 per HDR or HDRs for transfers made pursuant to paragraph (3) hereof, (iii) a fee for the distribution or sale of securities pursuant to paragraph (10) hereof, such fee being in an amount equal to the fee for the execution and delivery of HDSs referred to above which would have been charged as a result of the deposit of such securities (for purposes of this paragraph (7) treating all such securities as if they were Shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the Depositary to Holders entitled thereto, (iv) an aggregate fee of HK\$0.40 per HDS per calendar year (or portion thereof) for services performed by the Depositary in administering the HDRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against Holders as of the record date or record dates set by the Depositary during each calendar year and shall be payable at the sole discretion of the Depositary by billing such Holders or by deducting such charge from one or more cash dividends or other cash distributions), and (v) such fees and expenses as are incurred by the Depositary and/or any of its agents (including without limitation expenses incurred on behalf of Holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the Shares or other Deposited Securities (including, without limitation, Deposited Securities), the delivery of Deposited Securities or otherwise in connection with the Depositary's or its Custodian's compliance with applicable law, rule or regulation. The Company will pay all other charges and expenses of the Depositary and any agent of the Depositary (except the Custodian) pursuant to agreements from time to time between the Company and the Depositary, except (i) stamp duty, stock transfer or other taxes and other governmental charges (which are payable by Holders or persons depositing Shares), (ii) cable, telex and facsimile transmission and delivery charges incurred at the request of persons depositing, or Holders delivering Shares, HDRs or Deposited Securities (which are payable by such persons or Holders), (iii) transfer or registration fees for the registration or transfer of Deposited Securities on any applicable register in connection with the deposit or withdrawal of Deposited Securities (which are payable by persons depositing Shares or Holders withdrawing Deposited Securities; there are no such fees in respect of the Shares as of the date of the Deposit Agreement), (iv) expenses of the Depositary in connection with the conversion of foreign currency into Hong Kong dollars (which are paid out of such foreign currency), and (v) any other charge payable by any of the Depositary, any of the Depositary's agents, including, without limitation, the Custodian, or the agents of the Depositary's agents in connection with the servicing of the Shares or other Deposited Securities (which charge shall be assessed against Holders as of the record date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders or by deducting such charge from one or more cash dividends or other cash distributions). Such charges may at any time and from time to time be changed by agreement between the Company and the Depositary.

(8) Available Information. The Deposit Agreement, the provisions of or governing Deposited Securities and any written communications from the Company, which are both received by the Custodian or its nominee as a holder of Deposited Securities and made generally available to the holders of Deposited Securities, are available on the Company's English website at <http://www.sbigroup.co.jp/english/> and for inspection by Holders at the principal place of business of the Company in Hong Kong and at the Transfer Office. The Depositary will distribute copies of any such written communications to Holders when furnished by the Company. Until the expiration of the Distribution Compliance Period, whenever the Company is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or exempt from reporting pursuant to Rule 12g3-2(b)

under the Securities Exchange Act of 1934, as amended, the Company shall provide the information described in Rule 144A(d)(4) under the Securities Act to or upon request of any Holder, beneficial owner of an interest in the HDRs or holder of Shares, and any prospective purchaser of HDSs or Shares designated by such Holder or beneficial owner or any prospective purchaser of HDSs or Shares designated by such Holder. The Depositary does not assume any liability to any communication made by the Company to Holders.

(9) Execution. This HDR shall not be valid for any purpose unless executed by the Depositary by the manual or facsimile signature of a duly authorized officer of the Depositary.

Dated:

JPMORGAN CHASE BANK, N.A., as Depositary

By _____
Authorized Officer

The Depositary's office is located at One Chase Manhattan Plaza, New York, New York 10005.

[FORM OF REVERSE OF HDR]

(10) Distributions on Deposited Securities. Subject to paragraphs (4) and (5), to the extent practicable, the Depositary will distribute to each Holder entitled thereto on the record date set by the Depositary therefor at such Holder's address shown on the HDR Register, in proportion to the number of Deposited Securities (on which the following distributions on Deposited Securities are received by the Custodian) represented by HDSs evidenced by such Holder's HDRs: **(a) Cash.** Any Hong Kong dollars available to the Depositary resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof authorized in this paragraph (10) ("Cash"), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain Holders, and (iii) deduction of the Depositary's expenses in (1) converting any foreign currency to Hong Kong dollars at such prevailing exchange rate as may be available at the time of conversion by sale or in such other manner as the Depositary may determine to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or Hong Kong dollars to Hong Kong by such means as the Depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. **(b) Shares.** (i) Additional HDRs evidencing whole HDSs representing any Shares available to the Depositary resulting from a share or stock dividend, gratuitous allocation of shares, free distribution or share or stock split on Deposited Securities consisting of Shares (a "Share Distribution") and (ii) Hong Kong dollars available to it resulting from the net proceeds of sales of Shares received in a Share Distribution, which Shares would give rise to fractional HDSs if additional HDRs were issued therefor, as in the case of Cash. **(c) Rights.** (i) Warrants or other instruments (including share acquisition rights) in the discretion of the Depositary representing rights to acquire additional HDRs in respect of any rights to subscribe for additional Shares or rights of any nature available to the Depositary as a result of a distribution on Deposited Securities ("Rights"), to the extent that the Company timely furnishes to the Depositary evidence satisfactory to the Depositary that the Depositary may lawfully distribute the same (the Company has no obligation to so furnish such evidence), or (ii) to the extent the Company does not so furnish such evidence and sales of Rights are practicable, any Hong Kong dollars available to the Depositary from the net proceeds of sales of Rights as in the case of Cash, or (iii) to the extent the Company does not so furnish such evidence and such sales cannot practicably be accomplished by reason of the non-transferability of the Rights, limited markets therefor, their short duration or otherwise, nothing (and any Rights may lapse). **(d) Other Distributions.** (i) Securities or property available to the Depositary resulting from any distribution on Deposited Securities other than Cash, Share Distributions and Rights ("Other Distributions"), by any means that the Depositary may deem equitable and practicable, or (ii) to the extent the Depositary deems distribution of such securities or property not to be equitable and practicable, any Hong Kong dollars available to the Depositary from the net proceeds of sales of Other Distributions as in the case of Cash. The Depositary reserves the right to utilize a division, branch or affiliate of JPMorgan Chase Bank, N.A. to direct, manage and/or execute any public and/or private sale of securities hereunder. Such division, branch or affiliate may charge the Depositary a fee in connection with such sales, which fee is considered an expense of the Depositary contemplated above and/or under paragraph (7) hereof. Neither the Depositary nor any of its agents shall have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act, nor shall it or any of its agents be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained. Such Hong Kong dollars available will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the Depositary in accordance with its then current practices.

(11) Record Dates. The Depositary may, after consultation with the Company if practicable, fix a record date (which, to the extent applicable, shall be as near as practicable to any corresponding record date set by the Company) for the determination of the Holders who shall be responsible for the fee assessed by the Depositary for administration of the HDR program and for any expenses provided

for in paragraph (7) hereof as well as for the determination of the Holders who shall be entitled to receive any distribution on or in respect of Deposited Securities, to give instructions for the exercise of any voting rights, to receive any notice or to act in respect of other matters and only such Holders shall be so entitled or obligated.

(12) Voting of Deposited Securities. As soon as practicable after receipt from the Company of notice of any meeting or solicitation of interests or intention to vote at any meeting or proxies of holders of Shares or other Deposited Securities, which notice must be sent by the Company to allow for adequate time for the Depositary to distribute such notice as described herein, the Depositary shall distribute to Holders a notice stating (a) such information as is contained in such notice and any solicitation materials, (b) that each Holder on the record date set by the Depositary therefor will, subject to any applicable provisions of Japanese law and regulations and the Articles of Incorporation, be entitled to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by the HDSs evidenced by such Holder's HDRs and (c) the manner in which such instructions may be given. Upon receipt of instructions of a Holder on such record date in the manner and on or before the date established by the Depositary for such purpose, the Depositary shall endeavor insofar as practicable and permitted under the provisions of or governing Deposited Securities to vote or cause to be voted the Deposited Securities represented by the HDSs evidenced by such Holder's HDRs in accordance with such instructions. The Depositary will not itself exercise any voting discretion in respect of any Deposited Securities. The Depositary shall have no liability hereunder if the obligations above are not complied with. To the extent permitted by the Company and the applicable provisions of Japanese law and regulations and the Articles of Incorporation, Holders may attend any meeting of holders of Shares or other Deposited Securities but may not vote in person at such meeting.

(13) Changes Affecting Deposited Securities. Subject to paragraphs (4) and (5), the Depositary may, in its discretion, amend this HDR or distribute additional or amended HDRs (with or without calling this HDR for exchange) or cash, securities or property on the record date set by the Depositary therefor to reflect any change in par value, split-up, consolidation, cancellation or other reclassification of Deposited Securities, any Share Distribution or Other Distribution not distributed to Holders or any cash, securities or property available to the Depositary in respect of Deposited Securities from (and the Depositary is hereby authorized to surrender any Deposited Securities to any person and, irrespective of whether such Deposited Securities are surrendered or otherwise cancelled by operation of law, rule, regulation or otherwise, to sell by public or private sale any property received in connection with) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all the assets of the Company, and to the extent the Depositary does not so amend this HDR or make a distribution to Holders to reflect any of the foregoing, or the net proceeds thereof, whatever cash, securities or property results from any of the foregoing shall constitute Deposited Securities and each HDS evidenced by this HDR shall automatically represent its pro rata interest in the Deposited Securities as then constituted.

(14) Exoneration. The Depositary, the Company, their agents and each of them shall: (a) incur no liability (i) if any present or future law, rule, regulation, fiat, order or decree of the United States, Japan, Hong Kong or any other country, or of any governmental or regulatory authority or any securities exchange or market or automated quotation system, JASDEC, the provisions of or governing any Deposited Securities, any present or future provision of the Articles of Incorporation, any act of God, war, terrorism or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty any act which the Deposit Agreement or this HDR provides shall be done or performed by it or them (including, without limitation, voting pursuant to paragraph (12) hereof), or (ii) by reason of any exercise or failure to exercise any discretion given it in the Deposit Agreement or this HDR; (b) assume no liability except to perform its obligations to the extent they are specifically set forth in this HDR and the Deposit Agreement without negligence or bad faith; (c) in the case of the Depositary and its agents, be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or this HDR; (d) in the case of the Company and its agents hereunder be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or this HDR, which in its opinion may involve it

in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required; or (e) not be liable for any action or inaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, or any other person believed by it to be competent to give such advice or information.

The Depositary shall not be liable for the acts or omissions made by any securities depositary, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise. The Depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any Custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A. The Depositary, its agents and the Company may rely and shall be protected in acting upon any written notice, request, direction or other document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Depositary and its agents will not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, for the manner in which any such vote is cast or for the effect of any such vote. The Depositary and its agents may own and deal in any class of securities of the Company and its affiliates and in HDRs. Notwithstanding anything to the contrary set forth in the Deposit Agreement or an HDR, the Depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the Deposit Agreement, any Holder or Holders, any HDR or HDRs or otherwise related hereto to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. None of the Depositary, the Custodian or the Company shall be liable for the failure by any Holder or beneficial owner to obtain the benefits of credits on the basis of non-U.S. tax paid against such Holder's or beneficial owner's income tax liability. The Depositary and the Company shall not incur any liability for any tax consequences that may be incurred by Holders and beneficial owners on account of their ownership of the HDRs or HDSs. The Company has agreed to indemnify the Depositary and its agents under certain circumstances. Neither the Depositary nor any of its respective agents shall be liable to Holders or beneficial owners of interests in HDSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought. No disclaimer of liability under the Securities Act of 1933 is intended by any provision hereof.

(15) Resignation and Removal of Depositary; the Custodian. The Depositary may resign as Depositary by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by no less than 90 days prior written notice of such removal, to become effective upon the later of (i) the 90th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may appoint substitute or additional Custodians and the term "**Custodian**" refers to each Custodian or all Custodians as the context requires. The Company agrees and undertakes that upon receipt of any notice of resignation from the Depositary or its service of notice on the Depositary of the termination of its appointment, it shall as soon as practicable, notify the Stock Exchange of Hong Kong and make appropriate disclosure in accordance with the Listing Rules, including publishing an announcement of the prospective resignation, removal and/or replacement of the Depositary.

(16) Amendment. The HDRs and the Deposit Agreement may be amended by the Company and the Depositary only in accordance with this clause.

- (i) Any amendment that imposes or increases any fees or charges payable under a single head of fee/charge mentioned in clause 7 above in respect of one HDR (other than any imposition or increase in fees or charges in the nature of stamp duty, stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses, which shall become effective in accordance with clause 16(iii) below) ("**Relevant Fees or**

Charges”) by 25% or HK\$1.00 (whichever is the lesser increase) or less from the Relevant Fees or Charges in effect at the time of such proposed amendment shall become effective 30 days after notice of such amendment shall have been given to the Holders and every Holder of an HDR at the time any such amendment to the Deposit Agreement so becomes effective shall be deemed, by continuing to hold such HDR, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby.

- (ii) In respect of any amendment that increases any Relevant Fees or Charges payable under a single head of fee/charge mentioned in clause 7 above in respect of one HDR by more than 25% or HK\$1.00 (whichever is the lesser increase) from the Relevant Fees or Charges in effect at the time of such proposed amendment, or any amendment (including any amendment that relate to any matter set out in Rule 19B.16(a) to (t) of the Listing Rules) that, at the direction of the Company in its sole opinion and absolute discretion (which shall be exercised with reasonable care), will prejudice any substantial rights of Holders, the Depositary shall provide Holders with a notice (“**Amendment Notice**”) of the amendments and such Amendment Notice shall set out the period (which shall not be less than 21 days nor exceed 60 days from the date of the Amendment Notice) during which Holders shall be entitled to vote for or against such amendments, the record date for determining entitlement to vote, all necessary details regarding the procedures by which Holders may cast their votes, and the method and date on or by which the results of the votes will be notified to the Holders, and any Holder who does not vote (for whatever reason) in accordance with the terms and procedures set out in the Amendment Notice shall be taken to have abstained from voting. A proposal for any such amendment shall be approved by a majority of votes cast in favour, and votes must be cast by at least three Holders or, if there are fewer than three holders, by all Holders who cast their vote. For the avoidance of doubt, the Company shall have the sole and absolute discretion (which shall be exercised with reasonable care) to determine if any amendment will prejudice the substantial rights of the Holders. Any amendments or supplements which both (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for the HDSs or Shares to be traded solely in electronic book-entry form and also (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to prejudice any substantial rights of Holders. The Amendment Notice and other materials related to voting for each proposed amendment under this clause 16(ii) will be published on the website of the Stock Exchange of Hong Kong.

- (iii) Subject, for the avoidance of doubt, to clause 16(ii) above in respect of amendments mentioned therein, any other amendments may be made by agreement between the Company and the Depositary and shall become effective in accordance with the terms of such agreement. Further, and without limiting the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement or the form of HDR to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and the HDR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance.
- (iv) In no event shall any amendment impair the right of the Holder of any HDR to surrender such HDR and receive the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law (including the rules of the Tokyo Stock Exchange, the rules of the Osaka Securities Exchange and the rules of JASDEC).

(17) Termination. The Depositary may, and shall at the written direction of the Company, terminate the Deposit Agreement and this HDR by mailing notice of such termination to the Holders at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the Depositary shall have (i) resigned as Depositary hereunder, notice of such termination by the Depositary shall not be provided to Holders unless a successor depositary shall not be operating hereunder within 45 days of the date of such resignation, and (ii) been removed as Depositary hereunder, notice of such termination by the Depositary shall not be provided to Holders unless a successor depositary shall not be operating hereunder on the 90th day after the Company's notice of removal was first provided to the Depositary. After the date so fixed for termination, the Depositary and its agents will perform no further acts under the Deposit Agreement and this HDR, except to receive and hold (or sell) distributions on Deposited Securities and deliver Deposited Securities being withdrawn. As soon as practicable after the expiration of six months from the date so fixed for termination, the Depositary shall sell the Deposited Securities and shall thereafter (as long as it may lawfully do so) hold in a segregated account the net proceeds of such sales, together with any other cash then held by it under the Deposit Agreement, without liability for interest, in trust for the pro rata benefit of the Holders of HDRs not theretofore surrendered. After making such sale, the Depositary shall be discharged from all obligations in respect of the Deposit Agreement and this HDR, except to account for such net proceeds and other cash. After the date so fixed for termination, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary and its agents.

(18) Appointment. The Company hereby appoints the Depositary as depositary for the Deposited Securities and hereby authorizes and directs the Depositary to act on behalf of the Company in accordance with the terms set forth in the Deposit Agreement. Each Holder and each person holding an interest in HDSs, upon acceptance of any HDSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement shall be deemed for all purposes to (a) be bound by the terms of the Deposit Agreement and the applicable HDR(s), and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable HDR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable HDR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

EXHIBIT B-1-1

FORM OF ACQUIRER CERTIFICATE

[Certification of acquirers of HDRs or beneficial interests in HDRs upon deposit of Shares]

[DATE]

JPMorgan Chase Bank, N.A., as Depositary
One Chase Manhattan Plaza, Floor 58
New York, New York 10005

Re: SBI HOLDINGS, INC.

Dear Sirs:

Reference is hereby made to the Deposit Agreement, dated as of 30 March 2011 (the "Deposit Agreement"), between SBI Holdings, Inc. (the "Company") and JPMorgan Chase Bank, N.A., as Depositary.

Capitalized terms used but not defined herein shall have the meanings given them in the Deposit Agreement. References to the Deposit Agreement include the certification and other procedures established by the Depositary pursuant to such agreement.

This certification and agreement is furnished in connection with the deposit of Shares and issuance of HDSs to be evidenced by one or more HDRs pursuant to Section 3 and Section 4, respectively, of the Deposit Agreement.

We acknowledge (or if we are a broker-dealer, our customer has confirmed to us that it acknowledges) that by depositing the Shares, the HDRs and the HDSs evidenced thereby to be issued upon such deposit have not been registered under the U.S. Securities Act of 1933, as amended (the "Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may be re-offered, resold, pledged or otherwise transferred only in compliance with the Act and applicable laws of the states, territories and possessions of the United States governing the offer and sale of securities.

We certify that either:

A. We are, or at the time the Shares are deposited and at the time the HDRs are issued will be, the beneficial owner of the Shares and of the HDSs evidenced by such HDR or HDRs, and (i) we are not a U.S. person (as defined in Regulation S under the Act ("Regulation S")) and we are located outside the United States (within the meaning of Regulation S) and acquired, or have agreed to acquire and will have acquired, the Shares to be deposited, and the HDSs to be issued upon such deposit and evidenced by such HDR or HDRs, outside the United States (within the meaning of Regulation S), ii) we are not an affiliate (as such term is defined in Regulation C under the Act) of the Company or a person acting on behalf of such an affiliate (as such term is defined in Regulation C under the Act), and (iii) we are not in the business of buying and selling securities or, if we are in such business, we did not acquire the securities to be deposited from the Company or any affiliate (as such term is defined Regulation C under the Securities Act) thereof in the initial distribution of HDSs and Shares.

OR

B. We are a broker-dealer acting on behalf of our customer; our customer has

confirmed to us that it is, or at the time the Shares are deposited and at the time the HDRs are issued will be, the beneficial owner of the Shares and of the HDSs evidenced by such HDR or HDRs, and (i) it is not a U.S. person (as defined in Regulation S) and it is located outside the United States (within the meaning of Regulation S) and acquired, or has agreed to acquire and will have acquired, the Shares to be deposited, and the HDSs to be issued upon such deposit and evidenced by such HDR or HDRs, outside the United States (within the meaning of Regulation S), (ii) it is not an affiliate (as such term is defined in Regulation C under the Act) of the Company or a person acting on behalf of such an affiliate (as such term is defined in Regulation C under the Act), and (iii) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the securities to be deposited from the Company or any affiliate (as such term is defined Regulation C under the Securities Act) thereof in the initial distribution of HDSs and Shares.

We agree (or if we are a broker-dealer, our customer has confirmed to us that it agrees) that prior to the expiration of 40 days after the later of the commencement of the initial offering of the HDSs and the Shares on behalf of the Company and the related closing, we (or it) will not offer, sell, pledge or otherwise transfer such HDRs, the HDSs evidenced thereby or the Shares represented thereby except (a) to a person whom we reasonably believe (or it and anyone acting on its behalf reasonably believes) is a qualified institutional buyer within the meaning of Rule 144A under the Act in a transaction meeting the requirements of Rule 144A, or (b) outside the United States to a person other than a U.S. Person (as defined in Regulation S) in accordance with Regulation S, in either case in accordance with any applicable securities laws of any state of the United States.

Very truly yours,

[Name of Certifying Entity]

[By: _____
Name:
Title:]

EXHIBIT B-2-1
TO
DEPOSIT AGREEMENT
[Certification of Persons Surrendering HDSs for the Purpose of Withdrawing
Deposited Securities]

[DATE]

JPMorgan Chase Bank, N.A., as Depositary
One Chase Manhattan Plaza, Floor 58
New York, New York 10005

Re: SBI HOLDINGS, INC.

Dear Sirs:

Reference is hereby made to the Deposit Agreement, dated as of 30 March 2011 (the "Deposit Agreement"), between SBI Holdings, Inc. (the "Company") and JPMorgan Chase Bank, N.A., as Depositary.

Capitalized terms used but not defined herein shall have the meanings given them in the Deposit Agreement. References to the Deposit Agreement include the certification and other procedures established by the Depositary pursuant to such agreement.

The undersigned is (or is acting as agent for a person that is) surrendering HDR(s) or giving written instructions for the purpose of withdrawal of the Deposited Securities represented by the HDSs evidenced by such HDR(s) (the "Shares") or constituting the undersigned's beneficial interest in the HDR as provided for in paragraph (2) of the form of HDR pursuant to Section 6 of the Deposit Agreement. The undersigned hereby:

(i) acknowledges (or if it is a broker-dealer, its customer has confirmed to it in writing that it acknowledges) that the HDRs, the HDSs evidenced thereby and the Deposited Securities represented thereby have not been and will not be registered under the Securities Act of 1933, as amended (the "Act") or with any securities regulatory authority in any state or jurisdiction in the United States; and

(ii) certifies that either:

(a) it is not a U.S. Person (as defined in Regulation S under the Act) and it is located outside the United States (within the meaning of Regulation S under the Act), and either:

(x) it has sold or otherwise transferred, or agreed to sell or otherwise transfer and at or prior to the time of withdrawal will have sold or otherwise transferred, the HDRs or the Shares to persons other than U.S. Persons (as such term is defined in Regulation S under the Act) in accordance with Regulation S under the Act, and it is, or prior to such sale or other transfer it was, the beneficial owner of the HDRs, or

(y) it has sold or otherwise transferred, or agreed to sell or otherwise transfer and at or prior to the time of withdrawal will have sold or otherwise transferred the HDRs or the Shares to a qualified institutional buyer (as defined in Rule 144A under the Act) in accordance with Rule 144A, and it is, or prior to such sale or other transfer it was, the beneficial owner of the HDRs, or

(z) it will be the beneficial owner of the Shares upon withdrawal, and accordingly, it agrees that, prior to the expiration of 40 days after the later of the commencement of the initial offering of HDSs and the Shares on behalf of the Company and the related closing, it will not offer, sell, pledge or otherwise transfer the Shares represented thereby except (A) to a person whom it (and anyone acting on its behalf) reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Act in a transaction meeting the requirements of Rule 144A, or (B) to a person other than a U.S. Person (as defined in Regulation S) in accordance with Regulation S under the Act.

OR

(b) it is a qualified institutional buyer (as defined in Rule 144A under the Act) acting for its own account or for the account of one or more qualified institutional buyers; it has (or they have) agreed to acquire the HDRs or the Shares in a transaction which it understands is being made in reliance upon Rule 144A;

(iii) If it is a broker-dealer, it further certifies that it is acting for the account of its customer and that its customer has confirmed the accuracy of the representations contained in paragraph (ii) hereof that are applicable to it and, if paragraph (ii)(a)(z) is applicable to its customer, has confirmed that it will comply with the agreements set forth in paragraph (ii)(a)(z).

Very truly yours,
[NAME OF CERTIFYING ENTITY]

[By: _____]
Title

EXHIBIT C
FORM OF DEED POLL

DEED POLL

THIS DEED POLL is made in favour of Holders of Depositary Shares on 30 March 2011, by (i) SBI Holdings, Inc., company incorporated in Japan with limited liability and its successors with registered office at Izumi Garden Tower, 19th Floor, 1-6-1, Roppongi, Minato-ku, Tokyo, Japan (the "Company") and (ii) JPMorgan Chase Bank, N.A. (the "Depositary").

WHEREAS:

(A) The Company has entered into a deposit agreement dated 30 March 2011, with the Depositary relating to Shares of the Company in respect of which Depositary Shares have been issued (such agreement, as amended or supplemented, being hereinafter referred to as the "Deposit Agreement").

(B) The Company intends to allow Holders to enforce certain specified obligations of the Company under the Deposit Agreement as if they were originally parties to the Deposit Agreement.

NOW THIS DEED WITNESSETH AS FOLLOWS and is made by way of deed poll:

1. Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the Deposit Agreement.
2. The Company agrees that, if the Company fails to perform any obligation imposed upon it by the provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it was a party to the Deposit Agreement and in the capacity of the "Depositary" named therein in respect of the number of Deposited Securities represented by the HDSs to which the HDRs held by the Holder relate. The Company further undertakes to indemnify the Holder for any loss arising from or incurred in connection with or otherwise relating to the enforcement by such Holder, as the case may be, of any such provisions.
3. The Company and the Depositary further agree, for the avoidance of doubt, that each Holder shall be able to enforce against the Company and the Depositary the rights to which it is entitled to under the Deposit Agreement and the HDRs pursuant to and in the terms set out in Section 18 of the HDRs.
4. This Deed Poll shall enure for the benefit of the Holders and their successors or assigns of Depositary Shares and shall be deposited with and held by the Depositary.
5. This Deed Poll shall be governed by, and shall be construed in accordance with, the laws of Hong Kong.
6. The courts of Hong Kong are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed Poll, and accordingly, any legal action or proceedings arising out of or in connection with this Deed Poll ("Proceedings") may be brought in such courts. The Company

irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of the Holders and shall not limit the right of the Holders to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

7. The Company irrevocably appoints Hideo Nakamura, the authorized representative of the Company, of Suite 806, 8/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, as its agent in Hong Kong to receive service of process in any Proceedings in Hong Kong. If for any reason the Company does not have such an agent in Hong Kong, it will promptly appoint a substitute process agent and notify the Holders and the Depository of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

8. This Deed Poll and the obligations of the parties hereto shall be conditional upon the Deposit Agreement becoming unconditional in accordance with its terms within 60 days from the date of the Deposit Agreement. If this condition is not fulfilled, this Deed Poll shall forthwith terminate and neither the Company nor the Depository shall have any right against or obligation towards the other party or any of the Holders.

SEALED WITH THE COMMON SEAL of)
SBI HOLDINGS, INC.)
and SIGNED by)
)
)
in the presence of)

SEALED WITH THE COMMON SEAL of)
JPMorgan Chase Bank, N.A.)
and SIGNED by)
)
)
in the presence of)

DEED POLL

THIS DEED POLL is made in favour of Holders of Depositary Shares on 30 March 2011, by (i) SBI Holdings, Inc., company incorporated in Japan with limited liability and its successors with registered office at Izumi Garden Tower, 19th Floor, 1-6-1, Roppongi, Minato-ku, Tokyo, Japan (the "Company") and (ii) JPMorgan Chase Bank, N.A. (the "Depositary").

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(B) The Company intends to allow Holders to enforce certain specified obligations of the Company under the Deposit Agreement as if they were originally parties to the Deposit Agreement.

NOW THIS DEED WITNESSETH AS FOLLOWS and is made by way of deed poll:

9. Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the Deposit Agreement.
10. The Company agrees that, if the Company fails to perform any obligation imposed upon it by the provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it was a party to the Deposit Agreement and in the capacity of the "Depositary" named therein in respect of the number of Deposited Securities represented by the HDSs to which the HDRs held by the Holder relate. The Company further undertakes to indemnify the Holder for any loss arising from or incurred in connection with or otherwise relating to the enforcement by such Holder, as the case may be, of any such provisions.
11. The Company and the Depositary further agree, for the avoidance of doubt, that each Holder shall be able to enforce against the Company and the Depositary the rights to which it is entitled to under the Deposit Agreement and the HDRs pursuant to and in the terms set out in Section 18 of the HDRs.
12. This Deed Poll shall enure for the benefit of the Holders and their successors or assigns of Depositary Shares and shall be deposited with and held by the Depositary.
13. This Deed Poll shall be governed by, and shall be construed in accordance with, the laws of Hong Kong.
14. The courts of Hong Kong are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed Poll, and accordingly, any legal action or proceedings arising out of or in connection with this Deed Poll ("Proceedings") may be brought in such courts. The Company irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of the Holders and shall not limit the right of the Holders to take Proceedings in any other court of competent jurisdiction nor shall

the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

15. The Company irrevocably appoints Hideo Nakamura, the authorized representative of the Company, of Suite 806, 8/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, as its agent in Hong Kong to receive service of process in any Proceedings in Hong Kong. If for any reason the Company does not have such an agent in Hong Kong, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

16. This Deed Poll and the obligations of the parties hereto shall be conditional upon the Deposit Agreement becoming unconditional in accordance with its terms within 60 days from the date of the Deposit Agreement. If this condition is not fulfilled, this Deed Poll shall forthwith terminate and neither the Company nor the Depositary shall have any right against or obligation towards the other party or any of the Holders.

SEALED WITH THE COMMON SEAL of)
SBI HOLDINGS, INC.)
and SIGNED by)
)
)
in the presence of)

SEALED WITH THE COMMON SEAL of)
JPMorgan Chase Bank, N.A.)
and SIGNED by)
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in the presence of)