

Paperless Share System FAQ

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Japan Securities Dealers Association
**Reform Promotion Center for Securities Clearing
and Settlement System**

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*The committee is the cross-industry project established in July 1997 for early realization of Reform Promotion for Securities Clearing and Settlement System.

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Q1: What are “Electronic Share Certificates (Paperless share certificates)”?

Once the paperless system is implemented, all paper share certificates issued by listed companies will become invalid (*1) and shareholders’ rights will be recorded electronically in shareholders’ accounts (*2) at financial institutions (*3) such as securities companies.

*1: Paper certificates will lose all legal value and become nothing more than pieces of paper.

(See Q4-1 for details)

Your paper certificates will NOT be collected for the adoption of the paperless system (Q6-7, 6-8 and 6-9).

*2: They are called “kouza kanrikikan” in the relevant law.

*3: They are called “furikae kouzabo” in the relevant law.

Q2: Why change to the Paperless Plan?

The paperless system offers us more efficient and safer share management as well as allowing shares to be bought and sold more easily.

The paperless system also lowers the risk to shareholders of lost or stolen shares.

From a trading viewpoint, it decreases the risk of fraudulent certificates and simplifies the procedures for trading, such as delivery of shares and registration of new shareholders.

Reference

Benefits of the paperless system for issuers will include cutting the costs of printing at the time of issuance and postage, stamp duty, as well as the costs involved with the collection and issuance of certificates due to certain company reorganization procedures (such as mergers, stock exchanges, stock transfers, etc.).

Securities companies will benefit from the system by being able to handle shares more safely and easily and achieving a saving on the costs of storage and transportation of paper certificates.

Q3: What does it mean that “The system will be implemented by June 2009”?

The concerned parties have agreed to try to implement the system in January 2009.

Considering the progress of preparation for the system in the industry, the actual implementation date will be set by a cabinet ordinance, and will probably be announced in 2008.

Q4: What does it mean that “Your paper certificates will become invalid”?

It simply means your paper share certificates will themselves lose all legal value and will become nothing more than pieces of paper.

Currently, the assignment or creation of a pledge on shares is perfected by the delivery of the paper share certificates. After the implementation of the paperless system, the delivery of a paper share certificate itself will no longer be necessary for the assignment of or creation of a pledge on shares. Moreover, after the implementation of the paperless system, you will not be able to transfer shares, exercise shareholder’s rights or claim dividends based on possession of the paper share certificates.

-1: What will happen to non-listed shares?

Non-listed shares are NOT subject to the paperless system and their paper share certificates will remain valid. Transfer of non-listed shares will be perfected by delivery of paper share certificates.

However, for the perfection of a transfer of shares of a non-listed issuer, whose Articles of Incorporation set forth that it will not issue any paper share certificates, registration of the new shareholder will be required. The application for the registration will have to be made by both the transferee and transferor.

****Reference****

The New Companies Law (effective on May 1, 2006) sets forth that a corporation established after the enforcement of the New Companies Law may

elect not issue paper share certificates unless its Articles of Incorporation set forth that it will issue paper share certificates.

Q5: What are “shareholders’ rights”?

Shareholders’ rights mean the position of a shareholder, including shareholder voting rights, rights to receive dividends and rights to claim the distribution of residual assets in the case of the dissolution of the company.

Q6: How can I confirm who “the registered holder of the paper certificate which you hold” is?

Check the description in the column entitled “Name of shareholder” on the reverse side of the share certificate.

If your paper share certificate was issued after the enforcement of the New Companies Law (May 1, 2006), your name as a shareholder may not be printed on the certificate. If this is the case, please contact the relevant transfer agent to confirm whether or not you are the registered shareholder.

If you did not complete a proper procedure and have not yet been registered as a shareholder on the list of shareholders of the issuer, you will not be regarded as a shareholder under the book-entry transfer system after the paperless system is adopted.

If notices of shareholders’ meeting are addressed to you and the dividends are paid to you, you are being treated as the shareholder.

-1: I am a shareholder registered in the list of shareholders of the issuer. What do I have to do now?

Your rights as a shareholder (ref: Q5) will NOT be affected by the implementation of the paperless system.

Your shares will be recorded in a “Special Account” opened by the issuer. This process will be based on the list of shareholders in order to protect the rights of existing shareholders.

A “Special Account“ is *automatically* opened by the issuer and you will be informed of its details, which means you do NOT have to do anything to open a “Special Account”.

However, the “Special Account” does not allow you to trade your shares. In order to sell any of your shares that are recorded in the “Special Account”, you will need to open an account with a securities company then transfer the relevant shares from your “Special Account” to your account with the securities company. Please note that this process may take some time.

Reference

It is prohibited to deposit paper share certificates with or to request delivery of already deposited paper certificates from JASDEC or a securities company during the two weeks prior to the implementation of the paperless system, to allow JASDEC and securities companies to prepare for the implementation of the paperless system.

Settlements of trades of listed shares on securities exchanges can only be made through the JASDEC facility, not by the delivery of the paper share certificates. Therefore, the number of trades that can be settled during the foresaid period may be restricted.

Moreover, trading of shares recorded in a “Special Account” will be stopped for a few weeks after the implementation of the paperless system until the recording process is completed for such shares. Practically speaking, this means you will not be able to buy or sell these shares for a few weeks before and after the implementation of the paperless system.

-2: What if I am NOT registered as a shareholder on the list of shareholders of the issuer of the paper certificate I currently hold?

You need to request the issuer to register you as a shareholder as soon as possible.

Please contact your securities company or the relevant transfer agent for details of the procedure.

(ref; Q8)

-3: What needs to be done if the registered shareholder has passed away?

You need to legally inherit the shares as well as request the issuer to register you as the holder of such shares. Please contact your securities company or the relevant transfer agent for details of the procedure.

-4: What will be done with my Less-than-One-Voting-Unit shares (*)?

Securities companies do not accept deposits of Less-than-One-Voting-Unit shares that are registered on the shareholders' list in respect of which paper share certificates have not been issued (*registered Less-than-One-Voting-Unit shares*).

After the implementation of the paperless system, the issuer will record such registered Less-than-One-Voting-Unit shares in the Special Account.

Please contact a securities company for the details of the process to liquidate such shares.

Your Less-than-One-Voting-Unit shares can be bought by the issuer. In this case, you can sell your shares without transferring the shares from the Special Account to your account with a securities company.

Moreover, some issuers will allow shareholders to buy additional shares to enable you to obtain one voting unit of shares through your Special Account. Please contact the relevant transfer agent for details of the

procedure.

Less-than-One-Voting-Unit shares

Less-than-One-Voting-Unit shares are shares that do not constitute one voting unit of shares. Both the transfer of such shares and the notification of beneficial shareholders (*jisshitu kabunushi houkoku*) are possible.

The ways that Less-than-One-Voting-Unit shares can be owned are as listed below:

1. Registered with a transfer agent
2. Registered with JASDEC
3. Physically owned with paper share certificates

-5: What will be done with my fractional shares (*)?

It is generally planned that such shares will be automatically transferred to a shareholder's Special Account based on the list of shareholders. This will be done after a split of shares and adoption of a certain Less-than-One-Voting-Unit share system, which will be effective as of the implementation date of the paperless system.

Further information will be announced by the relevant issuer.

***What is a fractional share?**

It is a fractional number of shares less than one share, which is either one hundredth of a share or a ratio stated in the issuer's Articles of Incorporation, or a multiple thereof. Fractional shares are kept in a register of fractional shareholders, which is different from the shareholders' list.

A company, which adopted a certain Less-than-One-Voting-Unit share system introduced by the Commercial Code revision effective on October 2003, cannot adopt a fractional share system at the same time. A fractional share will be liquidated with cash in the case where any fractional shares are created by share consolidation or other arrangements.

The new Companies Law, which became effective on May 1, 2006, permits a company which adopted the fractional share system before the enforcement of the law to continue the system as an interim measure.

-6: What will be done if the issuer of the shares no longer exists ? (Due to merger, change of names, extinction, de-listing, etc.)

Please contact your correspondent securities company for details regarding the status of the issuer.

-7: Do I have to return my paper certificates when the paperless system is implemented?

No, you do not have to return your paper certificates.

-8: May I expect the paper certificates deposited to JASDEC will be returned after the paperless system is implemented?

No. Legally JASDEC has no responsibility to return paper share certificates to shareholders in order to avoid unnecessary confusion with a large amount of invalid paper share certificates in the market.

-9: Can I keep my paper certificates after the paperless system is implemented?

Yes, you may keep your paper share certificates. However you should understand that they are invalid and legally worthless, just like memorial stamps.

-10: Can I sell my paper certificates after the paperless system is implemented?

It is not prohibited to sell invalid paper share certificates. However, you need to clearly mention that the certificates are invalid and make sure that you do not sell them as valuable securities.

Q7: I have lost my paper certificates. What should I do?

Contact your correspondent securities company or the relevant transfer agent, and confirm with them that you are on the issuer's shareholders' list as the shareholder of the relevant shares.

Contact the issuer or the relevant transfer agent for details of the procedure for lost certificates, such as the nullification procedure for paper share certificates.

****Reference****

An outline of the nullification procedure for paper share certificates follows:

- 1) The person, who lost his/her paper share certificates, requests the issuer or its transfer agent to record that fact on the lost-share-certificate-register. The issuer will record such fact on the lost-share-certificate-register, which is open to the public, and inform such fact to the registered shareholder and the registered pledge-holder (if any) of the relevant shares.

If the relevant paper share certificates are submitted to the issuer to exercise any rights attaching to the paper share certificates, the fact that the certificates were recorded on the lost-share-certificate-register will be notified to the person who submitted the paper share certificates.

- 2) The transfer of shares or exercise of voting rights, etc. is not possible while the certificates of the relevant shares are recorded on the lost-share-certificate-register. However, a shareholder can exercise his/her voting rights as long as he/she is registered as a shareholder of the relevant shares on the shareholders' list and has requested to be recorded on the-lost-share-certificate-register.

- 3) A person actually holding the relevant paper share certificate may request cancellation of the entry on the lost-share-certificates-register. Once a cancellation request is made, the issuer will report the name and address of the requester as well as the certificate numbers to the person who requested the shares be recorded on the lost-share-certificate register, and then cancel such

recordation after two weeks.

- 4) Paper share certificates recorded on the lost-share-register will become invalid one year after the registration day, and the new paper share certificates will be issued to the person who requested the shares be recorded on the lost-share-certificate register.

Q8: What does it mean that “You might lose your shareholder’s rights”?

If you are not the registered holder of a share certificate, the special account for the relevant shares will be opened under the name of the registered holder and not your name.

If the above is the case, you should request the issuer to register you as the shareholder as soon as possible, or you will be at risk of losing your shareholder’s rights and the shares if the person actually registered as the shareholder sells the relevant shares without your knowledge.

Moreover, the process for registration of shareholder for those shares can be very complicated.

Q9: What is a “Transfer Agent”?

A “Transfer Agent” is a trust company or a securities company to which the relevant issuer has entrusted maintenance of its shareholders’ list and services required for the registration of shareholders.

A “Transfer Agent” is normally mentioned on documents sent from the issuer, such as notices of the shareholders’ meetings.

Q10: What is a “Special Account”?

A “Special Account” is an account opened by an issuer with a financial institution such as a trust company. This is done to protect shares and the rights of shareholders whose shares are not deposited with JASDEC.

(Ref; Q6-1)

A “Special Account” is maintained not for the purpose of buying or selling shares. If you wish to sell any shares that are recorded in a Special Account, you need to open an account with a securities company and transfer the shares to that account.

-1: How can I confirm whether my shares are kept in my “Special Account”?

Please contact the issuer or the relevant transfer agent.

-2: Will I receive dividends while my shares are kept in a “Special Account”?

You will receive any dividends paid and receive notices of shareholders’ meetings as usual.

Q11: Will I receive notices of the shareholders’ meetings or dividends?

You will receive these notices from the issuer, if applicable, in the same way as before the paperless system was implemented.