

Overview of Financial
Instruments and Exchange Act
Cabinet Orders and Ordinances
(effective September 30, 2007)

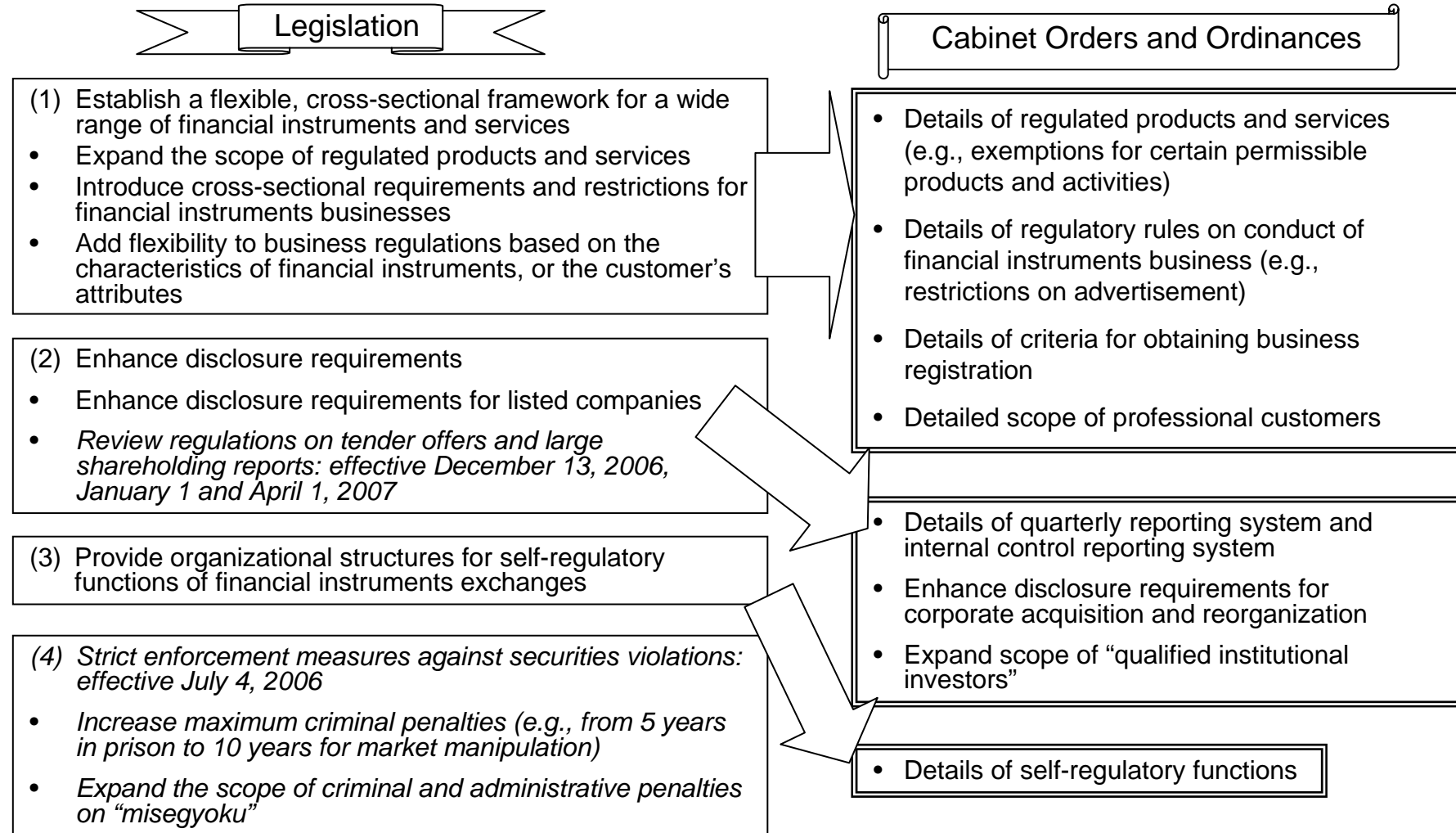
Financial Services Agency

Table of Contents

- I. Basic Framework of the Reform
 1. Basic contents of the Reform
 2. Effective date of the Reform
- II. Contents of the Reform
 1. Expanding scope of regulated products
 2. Cross-sectional and flexible regulation of financial instruments businesses
 3. Regulatory treatment of fund business
 4. Regulation of conduct of financial instruments business
 5. Classification of customers: professional customers and general customers
 6. Cross-sectional regulatory system for similar financial products and services
 7. Ensure proper operation of self-regulatory functions of financial instruments exchanges
 8. Disclosure requirements tailored to the nature of securities
 9. Quarterly reporting system
 10. Enhancing internal control over financial reporting
 11. Disclosure requirements for fund interests and other securities with low liquidity
 12. Disclosure requirements for corporate restructuring
 13. Expanding scope of qualified institutional investors

I. Basic Framework of the Reform

1. Basic contents of the Reform

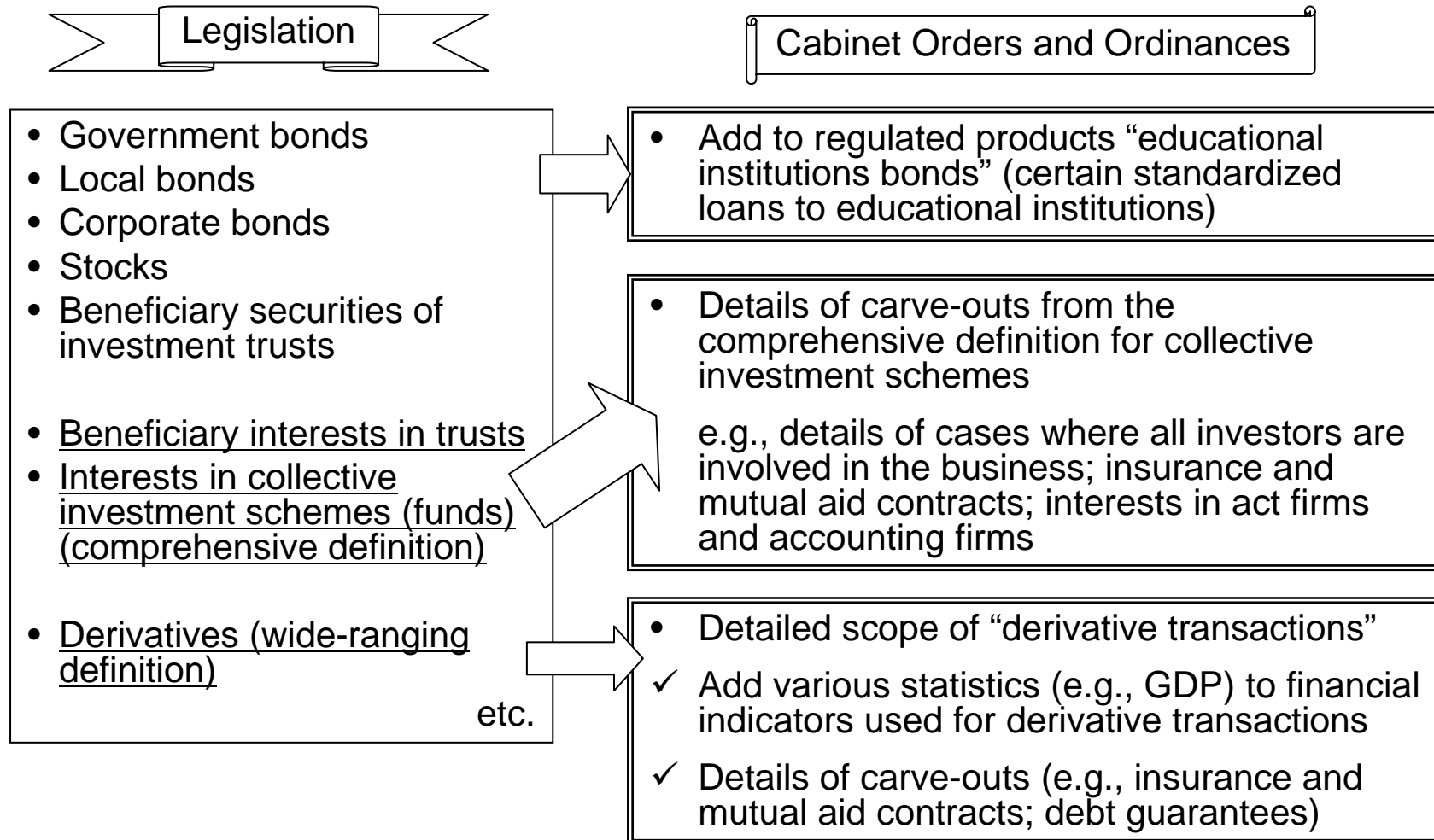


2. Effective date of the Reform

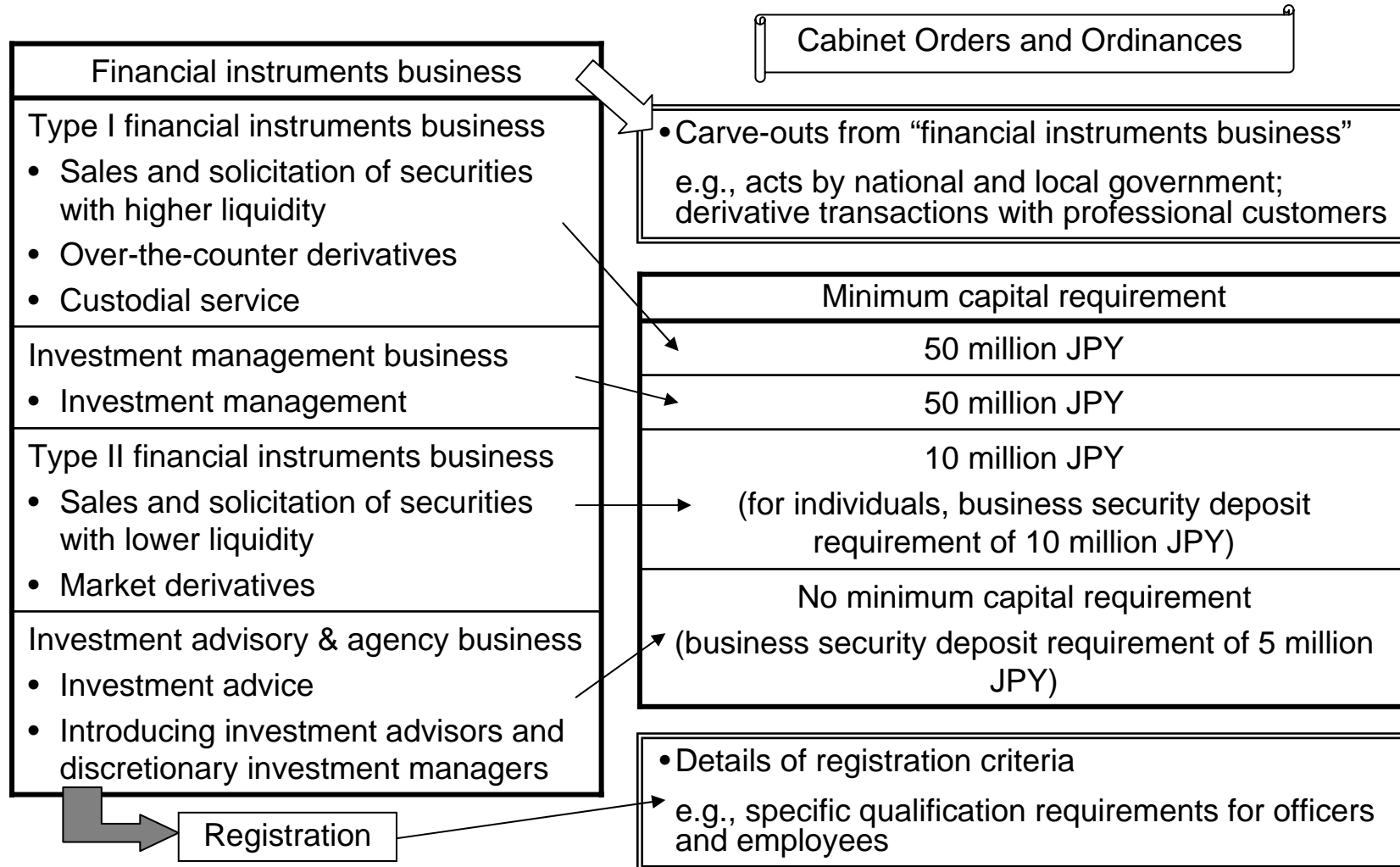
Measures	Effective Date
<ul style="list-style-type: none"> • Strict enforcement measures against securities violations 	<ul style="list-style-type: none"> • July 4, 2006
<ul style="list-style-type: none"> • Review of regulations on tender offers and large shareholding reports 	<ul style="list-style-type: none"> • December 13, 2006 (Shorten reporting deadline for special large shareholding reports: January 1, 2007) (Mandatory electronic filing of large shareholding reports: April 1, 2007)
<ul style="list-style-type: none"> • Enhance disclosure requirements for listed companies 	<ul style="list-style-type: none"> • September 30, 2007 (applicable from fiscal year commencing on or after April 1, 2008)
<ul style="list-style-type: none"> • Establish a flexible, cross-sectional framework for a wide range of financial instruments and services • Provide organizational structures for self-regulatory functions of financial instruments exchanges 	<ul style="list-style-type: none"> • September 30, 2007

II. Contents of the Reform

1. Expanding scope of regulated products

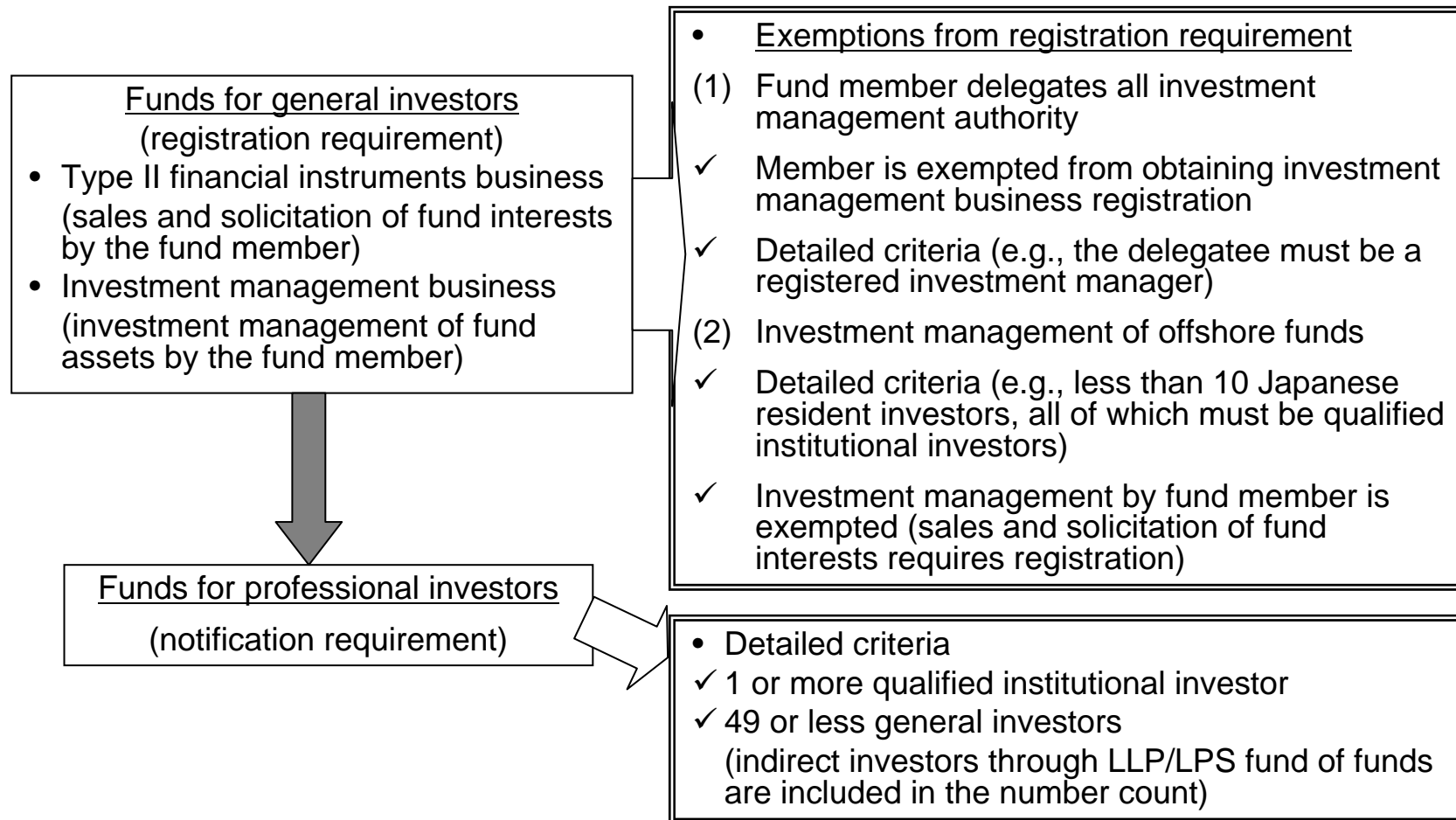


2. Cross-sectional and flexible regulation of financial instruments businesses



3. Regulatory treatment of fund business

Cabinet Orders and Ordinances

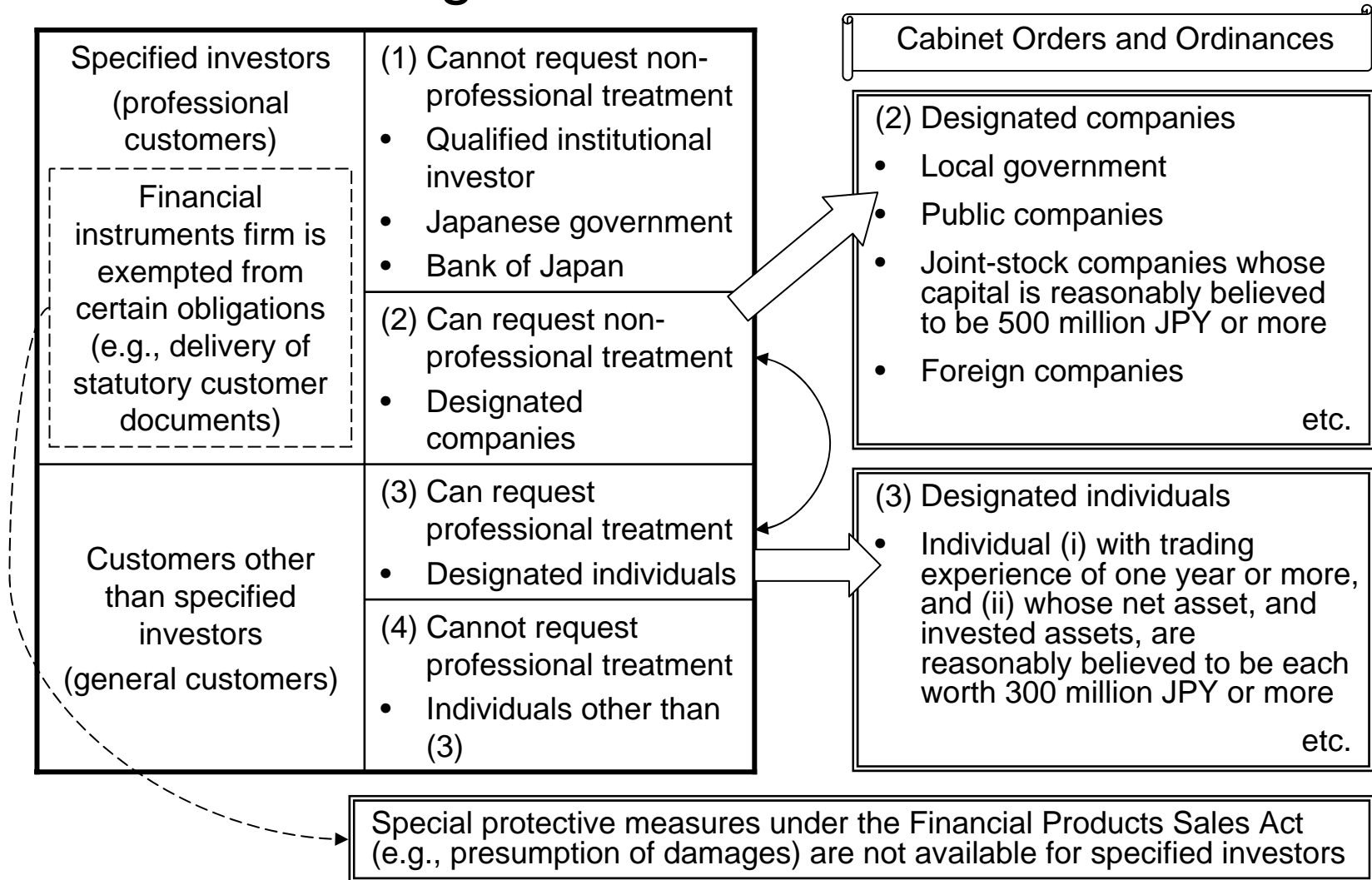


4. Regulation of conduct of financial instruments business

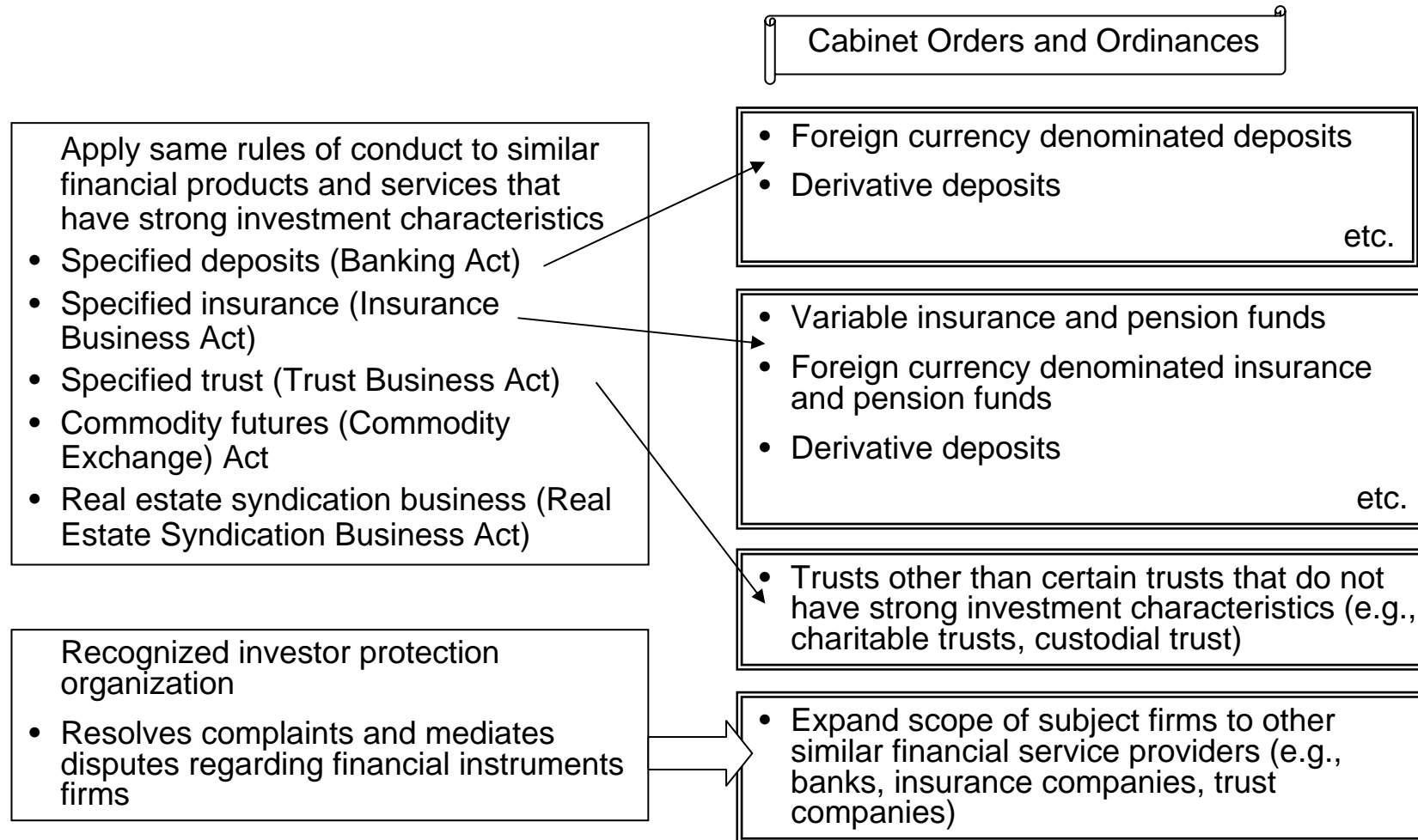
Cabinet Orders and Ordinances

- (1) Detailed rules on advertisement
 - Advertisement rules apply when providing similar information to a large number of persons (via mail, facsimile, e-mail, etc.)
 - Details of information to be indicated in advertisements (e.g., fee, risk information)
 - Indication of certain material information (e.g., existence of exposures to loss) must be clear and accurate, and in large letters
 - Reduced requirement for television and radio commercials, billboard advertisements and novelty advertisements
- (2) Details of obligation to deliver documents prior to entering into contract
 - Details of information to be stated in the documents - tailored information for different types of contract
 - Certain material information (e.g., risk information) must be written in plain language
 - Details of cases where delivery is exempted (e.g., where the customer received such document for a similar contract)
- (3) Details of prohibited acts
 - Prohibition on unsolicited promotion – applicable to over-the-counter financial futures transactions
 - Prohibition on solicitation without confirming will of customer, and solicitation against will – applicable to financial futures transactions in general
 - Requirement to provide explanation suitable for each customer when delivering statutory customer documents

5. Classification of customers: professional customers and general customers



6. Cross-sectional regulatory system for similar financial products and services



7. Ensure proper operation of self-regulatory functions of financial instruments exchanges

Financial instruments exchanges can delegate its self-regulatory functions to:

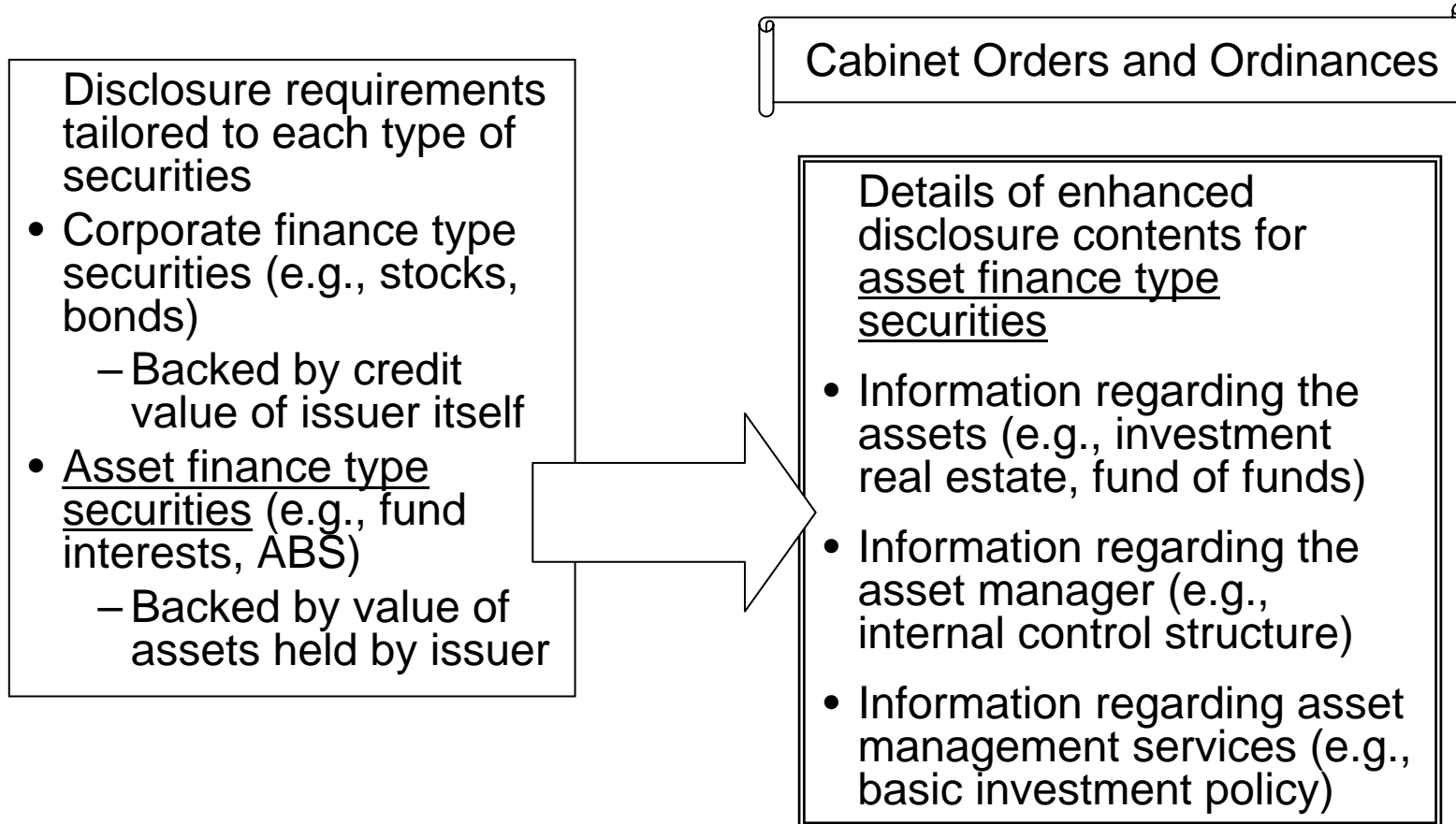
- a separate specialized entity (self-regulatory corporation); or
- a specialized internal committee (self-regulatory committee)

Cabinet Orders and Ordinances

- Detailed scope of self-regulatory functions
- Monitoring of trading in the markets
 - Examination of trading participants' qualifications
 - Disciplinary actions and other measures against trading participants
 - Examination of disclosures by listed issuers
 - Disciplinary actions and other measures against listed issuers

etc.

8. Disclosure requirements tailored to the nature of securities



9. Quarterly reporting system

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- Applicable to listed companies
- Reporting deadline:
 - 45 days after the end of each fiscal quarter
(60 days, for the 2nd fiscal quarter of banks and insurance companies)
- Details of information to be disclosed in quarterly reports
 - Consolidated quarterly financial statements
(if the issuer does not prepare consolidated statements, non-consolidated quarterly financial statements)
 - Banks and insurance companies must submit consolidated and non-consolidated quarterly financial statements for the 2nd fiscal quarter
- Types of consolidated quarterly financial statements
 - Consolidated quarterly balance sheets
 - Consolidated quarterly profit and loss statements
 - Consolidated quarterly cash flow statements
- Audit of quarterly financial statements
 - Audit is certified by quarterly review report

10. Enhancing internal control over financial reporting

Cabinet Orders and Ordinances

- Applicable to listed companies
- Internal control report
 - Filed together with (annual) securities reports
 - Details of information to be included (e.g., name and title of issuer's representative (and CFO), basic framework of internal control regarding financial reporting, scope and procedures of management assessment)
- Internal control audit report
 - Certifies audit of internal control reports
 - Details of information to be included (e.g., audit opinion regarding internal control report)
- Certification letter
 - Filed together with (annual) securities reports and quarterly reports
 - Issuer's representative (and CFO) must certify the contents of the securities report or quarterly report

11. Disclosure requirements for fund interests and other securities with low liquidity

Securities with low liquidity (e.g., interests in collective investment schemes, beneficiary interests in trusts)

- Disclosure requirements (filing of securities registration statement and ongoing disclosure) apply if:
 - The fund/trust invests **mainly** in securities;
 - The total amount of the offering is 100 million JPY or more; and
 - The offering results in the offered securities to be held by a **substantially large number of persons**

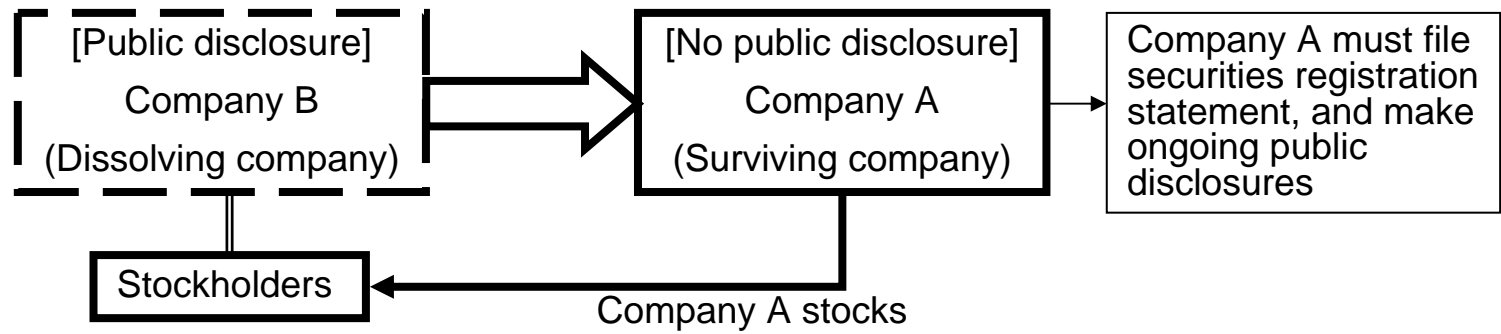
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Mainly = more than 50% of fund/trust assets

A substantially large number of persons = 500 or more persons

12. Disclosure requirements for corporate restructuring

- In the case of corporate restructuring (e.g., merger) where the stockholders of the subject company (e.g., dissolving company) receive securities issued by an entity other than the subject company (e.g., surviving entity), the issuer of the securities must make public disclosure (e.g., filing of securities registration statement) if:
 - (1) Public disclosure has not been made for such securities; and
 - (2) Public disclosure is made for stocks issued by the subject company



Cabinet Orders and Ordinances

Details of additional information to be included in the securities registration statement for corporate restructuring (e.g., information regarding the corporate restructuring agreement, parties to the restructuring, financial status after restructuring)
(If the issuer (Company A) is a public disclosure company, similar information is disclosed as timely disclosure in the extraordinary reports)

13. Expanding scope of qualified institutional investors

- Offerings of securities are exempted from public disclosure requirement, if solicitation is made only to qualified institutional investors
 - Previous scope of qualified institutional investors (QIIs) :
 - Banks, securities firms, insurance companies
 - Corporations that file securities reports, which hold securities of 10 billion JPY or more - must make filing to become QII
 - Foreign governments, foreign financial institutions - must make filing to become QII
- etc.

Cabinet Orders and Ordinances

- Expanded scope of qualified institutional investors:
- Trust companies and foreign trust companies (excluding custodial trust companies) – must make filing to become QII
 - Corporations that hold securities of 1 billion JPY or more - must make filing to become QII
 - Individuals that hold securities of 1 billion JPY or more, who have held securities trading accounts for more than 1 year - must make filing to become QII
- etc.