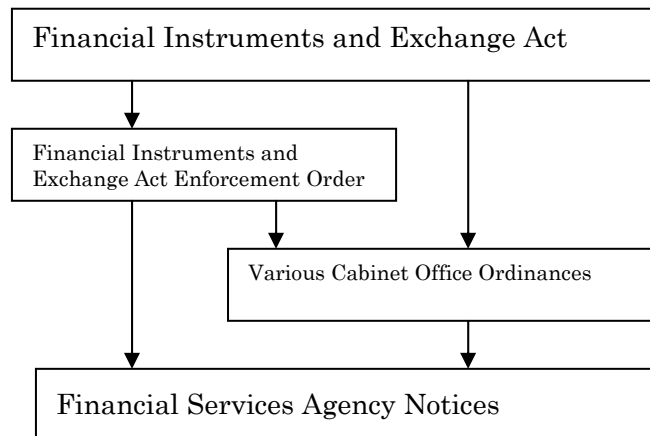


The Financial Instruments and Exchange Act

The Financial Instruments and Exchange Act seeks, in addition to making fair securities issuance and financial instruments translations, the fair price formation of financial instruments through the sufficient manifestation of capital market functions. Through this, the Act aims to contribute to the healthy development of the national economy and to protect investors.

The Financial Instruments and Exchange Act is a voluminous law, but many matters are delegated to cabinet orders and cabinet office ordinances. In addition to prescribing the Financial Instruments and Exchange Order as a cabinet order, the following have been prescribed as cabinet office ordinances: the Cabinet Office Ordinance on the Financial Instruments Business, etc., the Cabinet Office Ordinance on the Financial Instruments Firms Association, the Cabinet Office Ordinance on Financial Instruments Exchanges, etc., the Cabinet Office Ordinance on the Regulation of Securities Transactions, etc., the Cabinet Office Ordinance regarding Definitions under Article 2 of the Financial Instruments and Exchange Act, the Cabinet Office Ordinance on Transaction and Security Deposits prescribed in Article 161-2 of the Financial Instruments and Exchange Act, the Cabinet Office Ordinance on Securities Finance Companies, the Cabinet Office Ordinance on Specifying the Form of Identification Card, etc. that Needs to be Carried by the Officials of the Securities and Exchange Surveillance Commission Conducting Inspection and Investigation of Crime Cases, the Cabinet Office Ordinance on Settlement Institution, etc. of Securities Transaction, the Cabinet Office Ordinance on Surcharges pursuant to the Provisions of Chapter 6-2 of the Financial Instruments and Exchange Act, the Cabinet Office Ordinance on Disclosure of Corporate Information, etc., the Cabinet Office Ordinance on Disclosure of Information, etc. on Specified Securities, the Cabinet Office Ordinance on the Disclosure of Tender Offers for Share Certificates, etc. by Persons other than the Issuer, the Cabinet Office Ordinance on the Disclosure of the Status of Large Volume Holdings of Share Certificates, etc., the Financial Instruments Business Operator's Deposit for Operations Regulations, the Order on Investor-Protection Fund, etc. Furthermore, based on the delegation of these cabinet orders and cabinet office ordinances, various Financial Services Agency public notices have been issued.



The Financial Instruments and Exchange Act firstly, in addition to prescribing the disclosure of corporate affairs and other related matters, prescribes the disclosure of the status of large volume holdings of share certificates. Secondly, the Act prescribes the disclosure and procedures concerning tender offers. Thirdly, along with prescribing the registration and authorization of financial instruments business operators, the Act prescribes special provisions for those operations, preventive measures against adverse effects, accounting, supervision, and foreign brokers, special provisions for specially permitted business for qualified institutional investors, etc. and matters relating to sales representatives. Additionally, matters relating to the registration, business, accounting and supervision of financial instruments intermediary service providers are similarly prescribed. Fourthly, in addition to prescribing matters concerning the establishment, business, association members, control and supervision of an authorized financial instruments firms association, the Act prescribes the recognition, activities and supervision of public interest corporation type financial instruments firms associations. Fifthly, the Act puts in place provisions for an investors protection fund. Sixthly, in relation to financial instruments exchanges, the Act establishes provisions relating to financial instruments membership corporations, self-regulation organizations and stock companies which establish financial instruments exchange markets, and provisions relating to the selling and buying, etc. of securities on the financial instruments exchange markets and the dissolution of financial instruments exchange markets, etc. Additionally, provisions are established concerning foreign financial instruments exchange markets. Seventhly, the Act establishes provisions relating to financial instruments clearing organizations and securities finance companies. Eighthly, from the perspective of prohibiting unfair trading, provisions are established relating to securities transactions, etc., including prohibitions on insider

trading and market manipulation. Ninthly, the Act establishes provisions on surcharges, penal provisions and, furthermore, investigations into criminal cases, etc.