

English Translation of
Limited Partnership Act for Investment
(Law No.90 of June 3, 1998)

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Limited Partnership Act for Investment

June 3, 1998 (Law no. 90)

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SUPPLEMENTAL PROVISIONS

CHAPTER I. GENERAL PROVISIONS

Article 1. Purpose

This Law is for the purpose of promoting the smooth provision of capital to Business Entities and to promote their sound growth and development by establishing a system of limited partnership agreements for conducting investment in Business Entities which agreements provide for separate categories of general partners having unlimited liability and limited partners having limited liability, and thereby contributing to the economic vitality of our country.

Article 2. Definitions

1. "Business Entity" under this Law shall mean a corporation (excluding foreign corporations) or an individual carrying on business.
2. "Investment LPS" means a partnership that is formed from general partners and limited partners pursuant to a limited partnership agreement for investment as set forth in paragraph 1 of the following Article.

Article 3. Limited Partnership Agreement for Investment

1. A limited partnership agreement for investment (hereinafter a “Partnership Agreement”) shall have effect upon agreement by the parties to invest capital and jointly to carry out any or all of the following business activities:
 - i. Acquisition and holding of stocks issued by joint stock companies (*Kabushiki Kaisha*) upon their establishment and acquisition and holding of equity shares issued by a limited liability company (*yugen kaisha*) or company partnership (*kigyō kumiai*) upon their establishment;
 - ii. Acquisition and holding of stocks or Warrants (meaning warrants prescribed in Article 280-19(1) of the Commercial Code (Act no. 48 of 1899), with the same to apply hereinafter in this paragraph) issued by joint stock companies, and acquisition and holding of equity shares of a limited liability company or a company partnership;
 - iii. Acquisition and holding of those securities prescribed in Article 2(1) of the Securities and Exchange Act (Act no. 25 of 1948) (excluding stocks and Warrants, but including rights that are to be represented by securities listed in items (i) to (x) of said provision (excluding stocks and Warrants) and are deemed to be securities by the provisions set forth in Article 2(2) of said Act) and which are bonds or other fund raising securities stipulated as such by cabinet order as contributing to the procuring of capital by a Business Entity (such bonds and other securities hereinafter, “Designated Securities”);
 - iv. Acquisition and holding of cash receivables against a Business Entity and acquisition and holding of cash receivables owned by a Business Entity;
 - v. Making new loans to a Business Entity;
 - vi. Acquisition and holding of, equity investment in an Anonymous Partnership Agreement (meaning an anonymous partnership agreement (*tokumei kumiai keiyaku*) under Article 535 of the Commercial Code) of which a party is a Business Entity, and acquisition and holding of trust beneficial rights;
 - vii. Acquisition and holding of industrial property or copyrights (including granting a license to use the rights relating thereto) owned by a Business Entity;
 - viii. Provision of management-related advice or technical guidance to a Business Entity of which the Investment LPS (excluding item (ix) below, hereinafter a “Partnership”) owns stocks, equity interest, Warrants, Designated Securities, cash receivables, industrial property, copyrights or trust beneficial rights pursuant to any of the preceding items;
 - ix. Investment in an Investment LPS or a partnership formed by a partnership agreement as prescribed in Article 667(1) of the Civil Code (Act No. 89 of

1896) by virtue of promises to carry on the investment business, or similar organizations located in a foreign country;

- x. Business activities ancillary to the business described in the preceding items as prescribed by Cabinet Order;
- xi. Acquisition and holding of stocks, Warrants, Designated Securities issued by a foreign corporation or equity shares in a foreign corporation, or instruments similar to the same, which are carried out to the extent that, as prescribed by cabinet order, there is no hindrance to the conduct of the business activities set forth in any of the preceding items

; and

- xii. Investment of surplus cash to be made in accordance with the manner determined by cabinet order in order to accomplish the purposes of the Partnership Agreement.

2. The written contract of the Partnership Agreement (hereinafter the “Partnership Contract”) shall stipulate the matters listed below and be signed by or bear the name and seal of each of the partners:

- i. The businesses of the Partnership;
- ii. The name of the Partnership;
- iii. The location of the office of the Partnership;
- iv. The names and addresses of the partners and the classification of general partner or limited partner for each of the partners;
- v. The amount of one unit of investment;
- vi. The date on which the Partnership Agreement takes effect; and
- vii. The duration of the existence of the Partnership.

3. Notices or announcements to be made to a Partnership may be addressed to the location of an office of the Partnership or to the address of a general partner.

Article 4. Registration

- 1. A matter for which registration is required pursuant to the provisions of this Act may not be held out against a third party acting in good faith until after the registration of such matter has been completed.
- 2. A person who through willful intent or negligence has made a false registration on a matter for which registration is required pursuant to the provisions of this Law

may not hold out the falsity of said matter against a third party acting in good faith.

Article 5. Name

1. A Partnership shall include in its name the phrase "Investment LPS."
2. An entity which is not a Partnership may not include in its name the phrase "Investment LPS."
3. The provisions of Articles 19 through 21 (Trade Name) of the Commercial Code shall apply *mutatis mutandis* with respect to the name of a Partnership.
4. In the event that a limited partner consents to its family, personal or business name being included in the name of the Partnership, the limited partner shall have the same responsibilities as the general partners for any liabilities of the Partnership that are incurred upon or after such use of the limited partner's name in the name of the Partnership.

CHAPTER II. RIGHTS AND OBLIGATIONS OF THE PARTNERS

Article 6. Investment by Partners

1. Each of the partners shall own at least one unit of investment.
2. A partner's investment in the Partnership may be made only in the form of cash or other assets.
3. The cash value of one unit of investment shall be uniform.

Article 7. Manner of Management of the Partnership Etc.

1. The general partners shall manage the operations of a Partnership.
2. In the case that there are two or more general partners, the management of the Partnership's businesses shall be determined by a majority of the general partners.
3. Each general partner may execute day-to-day business of the Partnership in its sole discretion notwithstanding the provisions of the preceding paragraph; provided, however, that the foregoing shall not apply where any general partner objects to such act of the general partner before its completion.
4. In the event that the general partners carry out acts other than the business activities listed in Article 3(1), the partners may not ratify such act. The same shall apply in the event that any persons other than the general partners conduct a business other than those listed in the same paragraph.

Article 8. Maintenance and Inspection, Etc. of Financial Statements, Etc.

1. The general partners shall prepare within three months after the end of each business year and maintain at the principal office for a period of five years thereafter the balance sheet, profit and loss statement and business report, along with their detailed attachments (referred to as "Financial Statements, Etc." in paragraph 3) for the business year concerned.
2. Further to paragraph 1, the general partners shall also maintain the Partnership Contract and the audit report (with respect to the business report and its detailed attachments only the portion relating to accounting with the same to apply in the succeeding paragraph) prepared by either a certified public accountant (including a foreign certified public accountant) or an accounting firm.
3. A partner or a creditor of the Partnership may inspect or request a copy of the Financial Statements, Etc. and the Partnership Contract and audit report described in the preceding paragraph at anytime during normal business hours.

Article 9. Responsibility of Partners

1. In the case where there are two or more general partners each of the general partners shall be jointly and severally liable for the obligations of the Partnership.
2. A limited partner shall be liable for the Partnership's obligations only to the extent of its capital investment.
3. Notwithstanding the preceding paragraph, in the case that a limited partner has misled a third party into believing that it is a partner having the authority to execute the business of the Partnership, the limited partner shall have the same responsibilities as the general partners *vis-a-vis* such third party who entered into a transaction with the Partnership on the basis of such misunderstanding.

Article 10. Restrictions on Distribution of Partnership Assets

1. The assets of a Partnership may not be distributed in an amount exceeding the amount of the Partnership's net asset value as shown on the balance sheet.
2. If a limited partner receives a distribution in violation of the preceding paragraph the limited partner shall be liable for the obligations of the Partnership to the extent of the amount so received; provided, however, that the foregoing shall not apply after five years have elapsed since the limited partner received the distribution.

CHAPTER III. WITHDRAWAL BY PARTNERS

Article 11. Voluntary Withdrawal

No partner may withdraw from a Partnership except in unavoidable circumstances.

Article 12. Involuntary Withdrawal

In addition to the cases covered by the preceding Article, a partner shall withdraw from the Partnership in the following cases:

- (1) Death;
- (2) Bankruptcy;
- (3) Declaration of guardianship; and
- (4) Expulsion.

CHAPTER IV. DISSOLUTION AND LIQUIDATION OF A PARTNERSHIP

Article 13. Events of Dissolution

A Partnership shall be dissolved if any of the following occur; provided, however, that with respect to the event listed in item (2) below the foregoing shall not apply if new general partners or limited partners are admitted by unanimous agreement of the remaining partners within two weeks from the occurrence of such event and if the registration of dissolution has not yet been made:

- (1) Achievement of its business purposes or if such achievement becomes impossible;
- (2) Withdrawal by a general partner or by all of the limited partners;
- (3) The expiration of the term of the Partnership; or
- (4) If any event other than those listed in the preceding three items is stipulated to be an event of dissolution in the Partnership Agreement, the occurrence of such event.

Article 14. Liquidators

In the event that a Partnership is dissolved, the general partners shall become the liquidators; provided, however, that the foregoing shall not apply if other persons are elected as liquidators by a majority of all partners.

Article 15. Liquidators' Manner of Execution of Business

Paragraphs 2 and 3 of Article 7 shall apply *mutatis mutandis* when there are two liquidators or more.

CHAPTER V. MUTATIS MUTANDIS APPLICATION OF THE CIVIL CODE

Article 16. Mutatis Mutandis Application of the Civil Code

Articles 668 (joint ownership of partnership assets), 669 (responsibility of persons delaying in making cash contribution), 671 through 674 (*mutatis mutandis* application of provisions for entrustment, resignation or removal of an executor of business, partners' right of inspection of the state of business and assets and proportion in respect of distribution of profits and losses to partners), 676 (restriction on disposal of equity interest by partners and prohibition of split of partnership assets), 677 (prohibition of set-off by debtors to the partnership), 680 (expulsion), 681 (return of equity interest to withdrawing partners), 683 (request for dissolution by partners), 684 (non-retroactiveness of effect of termination), 687 (resignation or removal of partner liquidators) and 688 (authority of liquidators and method of distribution of remaining assets) of the Civil Code (Law No. 89 of 1896) shall apply *mutatis mutandis* with respect to a Partnership.

CHAPTER VI. REGISTRATION

Article 17. Registration of a Partnership Agreement taking effect

When a Partnership Agreement takes effect, the following matters shall be registered within two weeks at the location of the principal office and within three weeks at the secondary offices:

- (1) The matters listed in Article 3 paragraph 2 items (1) (2) (6) and (7);
- (2) The names and addresses of the general partners;
- (3) The offices of the Partnership; and
- (4) If any event other than those listed in Article 13 items (1) through (3) is stipulated as a event of dissolution in the Partnership Agreement such event.

Article 18. Registration of Establishment of a Secondary Office

1. In the event that a secondary office is established after the registration of the Partnership Agreement taking effect, such establishment of a secondary office shall be registered at the district of the principal office within two weeks and the matters listed in the preceding Article shall be registered at the district of such secondary office within three weeks and the establishment of such secondary office shall be registered at the districts of other secondary offices within the same period.
2. If a secondary office is established in the jurisdiction of the registration office that is in charge of the district of the principal office, or any secondary office, it is

sufficient to register the fact that such new secondary office has been established.

Article 19. Registration of Office Move

1. If a Partnership relocates its principal office, the relocation shall be registered within two weeks at the district in which the former office was located and the matters listed in Article 17 shall be registered at the district in which the new office is located. If a Partnership relocates a secondary office, the relocation shall be registered within three weeks at the district in which the former office was located and the matters listed in the same Article shall be registered within four weeks at the district in which the new office is located.
2. If the principal office or a secondary office is only being relocated within the jurisdiction of the same registration office, it is sufficient to register such relocation.

Article 20. Registration of Changes

If a change in any of the matters listed in Article 17 occurs, such change shall be registered within two weeks at the district of the principal office and within three weeks at the districts of the secondary offices.

Article 21. Registration of Suspension of Business Execution by General Partner

If a provisional disposition is ordered suspending the execution of the business by a general partner or designating a person to execute business on its behalf or that such provisional disposition is changed or canceled, said fact shall be registered at the districts of the principal office and the secondary offices.

Article 22. Registration of Dissolution

If a Partnership is dissolved, the dissolution shall be registered within two weeks at the district of the principal office and within three weeks at the districts of the secondary offices.

Article 23. Registration of Liquidators

1. If the general partners become the liquidators, the names and addresses of the liquidators shall be registered within two weeks from the date of dissolution at the district of the principal office and within three weeks at the districts of the secondary offices.
2. If a liquidator is elected, the name and address of the liquidator shall be registered within two weeks at the district of the principal office and within three weeks at the districts of the secondary offices.
3. Article 20 shall apply mutatis mutandis with respect to the registration set forth in the preceding two paragraphs and Article 21 shall apply mutatis mutandis with

respect to liquidators.

Article 24. Registration of Completion of Liquidation

Upon completion of the liquidation of a Partnership, the completion of the liquidation of the Partnership shall be registered within two weeks from the date of completion of the liquidation at the district of the principal office and within three weeks at the districts of the secondary offices.

Article 25. Competent Registration Office and Registry

1. The Legal Affairs Bureau or local Legal Affairs Bureau or a branch or sub-office thereof in the district where the office of a Partnership is located shall be the competent registration office with respect to the registration of the Partnership Agreement.
2. A Registry of Limited Partnership Agreements for Investment shall be maintained in each registration office.

Article 26. Application for Registration

1. The registrations pursuant to the provisions of Articles 17 through 20 shall be made upon application by a general partner and those pursuant to the provisions of Articles 22 through 24 shall be made upon application by a liquidator.
2. In the event that the general partner or liquidator who applies for registration pursuant to the preceding paragraph is a corporation, a certificate evidencing the authority to represent such corporation shall be attached to the application.

Article 27. Attachment to Registration of Partnership Agreement Taking Effect

The Partnership Contract shall be attached to the application for registration of the occurring of effect of the Partnership Agreement.

Article 28. Attachment to Registration of Changes

In an application for registration of an establishment or relocation of office or registration of any change in the matters listed in Article 17, a written document evidencing the establishment or relocation of the office or the change in the registered matters shall be attached to the application.

Article 29. Attachment to Registration of Dissolution

In an application for registration of dissolution, a written document evidencing the occurrence of an event of dissolution shall be attached to the application.

Article 30. Attachment to Registration of Liquidators

In an application for registration of a liquidator who has been elected by a majority of all partners, a written document evidencing the agreement by a majority of all partners and a written document evidencing the acceptance of office by such person, shall be attached to the application.

Article 31. Attachment to Registration of Change in the Registration of Liquidators

1. In an application for registration of change in the registration by reason of resignation of a liquidator, a written document evidencing such resignation shall be attached to the application.
2. In an application for registration of change in the name or address of a liquidator, a written document evidencing such change in the registered matters shall be attached to the application.

Article 32. Attachment to Registration of Completion of Liquidation

In an application for registration of completion of liquidation, a written document executed by all partners evidencing that the disposal of the Partnership's assets has been completed shall be attached to the application.

Article 33. Mutatis Mutandis Application of the Commercial Registration Law, Etc.

Articles 2 through 5 (Register Office and Registrar), 7 through 18, 19-2 through 23, 24 (excluding item (xvi)), 26 (General Rules for Registry, etc. and Registration Procedure), 27 (Prohibition on Use of Similar Trade Names), 56 through 59, 61(1) (Registration of Partnership Corporation (*gōmei gaisha*)) and 107 through 127 (Revision or Cancellation of Registration, Special Rules on Registration by Electronic Information Processing Organization and Miscellaneous Provisions) of the Commercial Registration Law (Law No. 125 of 1963) and Articles 56 (Entrustment of Registration of Provisional Dispositions Concerning Suspension of Business Execution by a Representative of a Corporation, etc.) of the Civil Preservation Law (Law No 91 of 1989) shall apply *mutatis mutandis* with respect to the registration of a Partnership. In application of the foregoing provisions of the Commercial Registration Law, the phrase “Article 64(1) of the Commercial Code” in Article 56(3) of the Commercial Registration Law shall be replaced with “Article 17 of the Limited Partnership Act for Investment (Law No 90 of 1998)” and the phrases “a representative of the corporation or other executives of the corporation” and “the head office or principal office and branches or secondary offices of the corporation” in Article 56 of the Civil Preservation Law shall respectively be replaced with “a general partner or a liquidator of the Investment LPS” and “the principal office and secondary offices of the Investment LPS”.

CHAPTER VII. PENALTIES

Article 34.

In the following cases general partners or liquidators shall be subject to a fine of no more than ¥1,000,000:

- (1) If they fail to perform the registrations required by this Law; or
- (2) If they fail to maintain the required documents, fail to record the required information in these documents or record false information or refuse to allow inspection or copying of these documents without reasonable justification, in violation of the provisions of Article 8.

Article 35.

Any person who uses a registered name of a Partnership or a similar name for the purpose of unfair competition shall be subject to a fine of no more than ¥200,000. The forgoing shall also apply to persons who violate Article 21(1) of the Commercial Code as applied under Article 5(3) of this Law.