

shareholders who have made filing may express their opinion on the classification mentioned in the preceding paragraph.

4. The Court may alter the classification at any time before a draft of plan is put to the resolution.
5. The provisions of Article 141 shall apply mutatis mutandis to the service of ruling under the provisions of paragraph 2 and the preceding paragraph. However, if the pronouncement of ruling has been made at the date of a meeting of persons interested or that of investigation <sup>of</sup> re-organization claims and rights for security in the reorganization, the service of ruling is not required.

(Persons who may be Excluded from Reorganization Plan)

Article 160. In cases where it is assumed <sup>valuation</sup> that the property of the corporation has been calculated by ~~the valuation~~ of its property on the assumption that the corporation is going ~~concern~~, the reorganization creditors or shareholders who may not receive ~~the~~ reimbursement or the distribution of the surplus assets may be excluded from the reorganization plan.

2. The Court shall, on application of the trustee, the examiner, the corporation or the reorganization creditor, secured reorganization creditor or shareholder who has made filing, designate persons coming under the preceding paragraph.
3. The provisions of paragraphs 3 to 5 of the preceding Article shall apply mutatis mutandis to the designation mentioned in the preceding paragraph.

(Appointment of Agent)

Article 161. The reorganization creditors, the secured reorganization creditors or the shareholders may, with the permission of the Court, appoint one or several agents jointly or separately.

2. The power of agent shall be established with a document.
3. The agent or committee may do all the acts belonging to the reorganization proceedings on behalf of the reorganization creditors, secured reorganization creditors or shareholders who have appointed him or them.



4. In cases where there are two or more agents in a group, they shall jointly exercise the power. However, a declaration of intention to be made to the agents by a third person may be made to one of them only.
5. If the Court deems the exercise of the power by the agent or committee to be remarkably unfair, it may revoke the permission mentioned in the first paragraph.
6. If the reorganization creditors, the secured reorganization creditors or the shareholders have released agent from office, they shall file, without delay, such effect with the Court.

(Debenture Holders)

Article 162. The debenture holders' meeting may not make resolution in respect of the exercise of vote of debenture holders in a meeting of persons interested or the exercise of other rights of debenture holders in reorganization proceedings.

2. A corporation which is commissioned to invite subscriptions for debentures or a trust corporation mentioned in the Secured Debentures Trust Law may make the filing of reorganization claims or rights for security in the reorganization, the exercise of vote and all the other acts belonging to reorganization proceedings on behalf of debenture holders. However, this shall not apply to the debenture holders who have filed reorganization claims or rights for security in the reorganization for themselves.
3. In cases where the corporation mentioned in the preceding paragraph does the act belonging to reorganization proceedings on behalf of debenture holders, such corporation is not required to designate such debenture holders separately.
4. Any debenture holder who has not filed his reorganization claim or right for security in the reorganization for himself may exercise his rights for himself at any time, excluding the power of the corporation mentioned in the second paragraph. In this case, the debenture holder shall, in advance, file that effect, his full name and permanent



residence, and the number, the serial numbers and the date of issuance of his debentures with the Court and also submit the debenture certificates or other evidential documents, or a copy or extract thereof to the Court.

5. The debenture holder who has filed his reorganization claim or right for security in the reorganization for himself or has made the filing under the provisions of the preceding paragraph shall notify, without delay, the matters filed to the corporation mentioned in the second paragraph.

(Right of Set-off)

Article 163. If, in cases where a reorganization creditor or a secured reorganization creditor is bound to the corporation by debt at the time of the institution of reorganization proceedings, both of the credit and the debt have become suitable for set-off before the expiration of the period of time for filing reorganization claim or right for security in the reorganization, the reorganization creditor or the secured reorganization creditor may effect set-off without in pursuance of the reorganization proceedings only within such period of time. The same shall also apply in cases where the debt is the obligation for the performance of which a time has been fixed.

2. The set-off under the provision of the preceding paragraph, with regard to the obligation of rent of a reorganization creditor or a secured reorganization creditor after the institution of reorganization proceedings, may be effected only in respect of rent of the current and <sup>ing</sup> ~~the~~ period. However, in cases where there is a deposit, the set-off may be effected in respect of the obligation of rent after the <sup>next</sup> ~~the~~ period.
3. The provision of the preceding paragraph shall apply mutatis mutandis to the rent for land or for tenancy.



(Prohibition of Set-off)

Article 164. In the following cases, the set-off may not be effected:

- (1) In cases where a reorganization creditor or a secured reorganization creditor is bound to the corporation by debt after the institution of reorganization proceedings;
- (2) In cases where a debtor of the corporation acquires the reorganization claim or the right for security in the reorganization of other person after the institution of reorganization proceedings;
- (3) In cases where a debtor of the corporation acquires the reorganization claim or the right for security in the reorganization with the knowledge of the suspension of payment or the application for bankruptcy, for the institution of composition, for the institution of reorganization proceedings, for the institution of reorganization (seiri) or for the institution of special liquidation. However, this shall not apply in cases where such acquisition is due to the cause as specified in law, the cause which arose before such debtor knew the suspension of payment or the application for bankruptcy, for the institution of composition, for the institution of reorganization proceedings, for the institution of reorganization (seiri) or for the institution of special liquidation, or the cause which arose one year before any of the adjudication of bankruptcy, the institution of composition, the institution of reorganization proceedings, the institution of reorganization (seiri) <sup>and</sup> the institution of special liquidation.

Chapter V. Meeting of Persons Interested

(Summons at Date of Meeting)

Article 165. At the date of a meeting of the persons interested, the trustee, the examiner, the corporation, and the reorganization creditors, secured reorganization creditors and shareholders who have made filing as well as the persons who bear obligation or furnish security for the reorganization, shall be summoned.



2. The reorganization creditors, secured reorganization creditors and shareholders who may not exercise the vote need not be summoned, if the Court prefers, notwithstanding the provision of the preceding paragraph. In respect of the first meeting of the persons interested, the same shall apply to the person who has received service in accordance with the provision of Article 47 paragraph 2.

(Notification of Date)

Article 166. The date of a meeting of the persons interested shall be notified to administrative offices supervising the affairs of the corporation, the Attorney-General and the Securities and Exchanges Commission.

(Direction of Court)

Article 167. The meeting of the persons interested shall be under the direction of the Court.

(Public Notice of Date and Object)

Article 168. The Court shall give public notice of the date of a meeting of the persons interested and the matter which is the object of such meeting.

2. If, in respect of adjournment or continuance of a meeting of the persons interested, the pronouncement has been made, the service or public notice is not required.

(Combination of Dates)

Article 169. The Court may, if it deems it reasonable, make any combination of dates in the dates of meetings of the persons interested and the dates of investigation of reorganization claims and rights for security in the reorganization, on application of the trustee, the examiner, if there is no trustee, or the corporation or of its own motion.



(Objection to Vote)

Article 170. The trustee (if there is no trustee, the corporation, but if there is the examiner who investigates reorganization claims or rights for security in the reorganization, such examiner) and the reorganization creditors, secured reorganization creditors and shareholders who have made filing may raise an objection <sup>against</sup> the vote of reorganization creditors, secured reorganization creditors and shareholders. However, this shall not apply to the vote of reorganization creditors and secured reorganization creditors who have the reorganization claims and rights for security in the reorganization settled under the investigation proceedings mentioned in the preceding Chapter.

(Exercise of Vote)

Article 171. The reorganization creditors, the secured reorganization creditors and the shareholders who have the reorganization claim or right for security in the reorganization which has been settled and the vote against which no objection has been raised, may exercise the vote according to the amount settled or the amount or number filed.

2. In respect of the right against which an objection has been raised, the Court shall decide whether the vote shall be exercised or not and the amount or the number according to which the vote shall be exercised.
3. The Court may at any time alter the ruling rendered in accordance with the provision of the preceding paragraph on application of a person interested or of its own motion.
4. The ruling rendered in accordance with the provisions of the preceding two paragraphs, if the pronouncement thereof has been made, is not required to be served.

(Exclusion of Persons Having Vote who are Improper)

Article 172. If the Court deems that the reorganization creditors, secured reorganization creditors or shareholders who have the vote have acquired right with a purpose of getting improper interests such as receiving



any bribe in relation to a resolution of a meeting of the persons interested, in the light of the time of acquisition of right, the consideration and the other circumstances, it may exclude them from voting.

2. The Court must hear the statement of the concerned persons having the vote before it makes the disposition mentioned in the preceding paragraph

(Person who may not Exercise Vote)

Article 173. Besides persons who may not exercise the vote in accordance with the provisions of the preceding two Articles, the following persons may not exercise the vote:

- (1) Any person whose claim or right is not to be affected by reorganization plan;
- (2) Any person who may be excluded from plan in accordance with the provisions of Article 160;
- (3) Any person for whom protection is provided for in accordance with the provisions of Article 242 paragraph 2.

(Exercise of Vote by Proxy)

Article 174. Any reorganization creditor, secured reorganization creditor or shareholder may exercise his vote by proxy. In this case, such proxy shall submit the document establishing his delegated authority.

#### Chapter VI. Proceedings after Institution of Reorganization Proceedings.

(Management of Affairs and Property of Corporation)

Article 175. The trustee shall begin to manage the affairs and property of the corporation immediately after he has assumed his post.

(Management of mail-matter)

Article 176. The Court may commission a government office or others handling the business of communication to deliver a mail-matter or telegram addressed to the corporation to the trustee.

2. The trustee may open a mail-matter or telegram mentioned in the preceding paragraph which he has received.



3. The corporation may demand to read the mail-matter or telegram mentioned in the preceding paragraph and to deliver those which do not concern the property of the corporation to it.

Article 177. The Court may, on application of the corporation or of its own motion, revoke or alter the commission mentioned in paragraph 1 of the preceding Article after hearing the opinion of the trustee.

2. In cases where the reorganization proceedings have ended, the Court shall revoke the commission mentioned in paragraph 1 of the preceding Article.

(Estimation of Value of Property)

Article 173. The trustee or the corporation, if there is no trustee, shall, without delay, after the institution of reorganization proceedings, estimate the value of all the properties which belong to the corporation in the presence of the court clerk, bailiff or notary public. In cases where the trustee makes the estimation, except where there is apprehension of delay, the presence of the corporation shall be requested.

(Preparation of Inventory and Balance Sheet)

Article 179. The trustee or the corporation, if there is no trustee, shall, without delay, after the institution of reorganization proceedings, prepare an inventory and a balance sheet at the time of the institution of such proceedings.

2. The person who has prepared the inventory and the balance sheet mentioned in the preceding paragraph shall sign and seal a copy thereof and submit it to the Court.

(Investigation and Report of Trustee)

Article 180. The trustee shall, without delay, after he has assumed his post, investigate the following matters and report them to the Court:

- (1) The circumstances by which reorganization proceedings have been instituted;



- (2) The process and present condition as regards the affairs and property of the corporation;
- (3) Whether there are any circumstances which necessitate the disposition provided for in Article 72;
- (4) Whether there are any circumstances which make it proper to restore the management of affairs and property to the corporation;
- (5) Any other matters necessary for reorganization.

(Report of Corporation)

Article 181. In cases where there is no trustee and the investigation and report has not been made by the examiner in accordance with the provisions of Article 191, the corporation shall, without delay, report to the Court the matters mentioned in items (1) to (3) and (5) of the preceding Article as well as whether there are any circumstances which necessitate the appointment of the trustee or the examiner.

(Investigation of Reorganization <sup>with</sup> Creditors, etc.)

Article 182. The trustee shall, within the period fixed by the Court, investigate the following matters and report them to the Court:

- (1) The full name and permanent residence of reorganization creditors, the particulars and cause of reorganization claims, the amount of vote, and if the claims are claims having preferential right or deferred claims, such matter;
- (2) The full name and permanent residence of secured reorganization creditors, the particulars and cause of rights for security in the reorganization, the subject-matter of rights for security, the value of such subject-matter, the amount of vote and if persons other than the corporation are debtors, the name and permanent residence of them;
- (3) The full name and permanent residence of shareholders as well as whether the shares are those having par value or those without par value, the class and the number.



2. In cases where there is no trustee and the investigation and report has not been made by the examiner in accordance with the provisions of Article 191, the corporation shall, within the period fixed by the Court, report the matters mentioned in the preceding paragraph to the Court.

(Later Report, etc.)

Article 183. The trustee or, if there is no trustee, the examiner or the corporation shall report the condition of management of the affairs and property of the corporation and other matters requested by the Court to the Court and prepare an inventory and a balance sheet at the time when a reorganization plan has been approved and at the time fixed by the Court and submit a copy of them to the Court, as ordered by the Court, besides the submission and report mentioned in the preceding five Articles.

(Valuation of Fixed Assets to be <sup>U</sup>Used for business)

Article 184. In respect of the valuation of the fixed assets to be used for the business which shall be entered in an inventory prepared under the provisions of Article 179 and the preceding Article and the revaluation of the fixed assets of the corporation to be used for the business under reorganization proceedings, the provisions of Article 34 paragraph 2 and Article 235 (Valuation of Fixed Assets to be Used for Business) of the Commercial Code shall not apply.

(Keeping of Documents)

Article 185. Documents submitted to the Court in accordance with the provisions of Articles 179 to 183 shall be kept at the Court for the inspection of the persons interested.

(Conduct by Corporation of Business of Reorganization)

Article 186. In cases where there is no trustee, the corporation shall conduct the business of reorganization under the supervision of the Court.



2. The corporation shall be liable for taking the same care as the trustee in respect of the conduct of the business of reorganization.
3. If the corporation has neglected the care mentioned in the preceding paragraph, such corporation and the directors who have neglected their duty shall be jointly and severally liable to make compensation for damage to the person interested.

(Alteration of Management of Affairs and Property)

Article 187. In cases where the debt of the corporation is less than 20,000,000 yen, the Court may, on application of persons interested or of its own motion, at any time, terminate the appointment of a trustee and restore the management of the affairs and property to the corporation, or terminate the management of the affairs and property by the corporation and appoint a trustee.

(Interruption and Taking Over of Litigation in consequence of Alteration of Management)

Article 138. If the trustee has been appointed after the corporation took over a litigation after the institution of reorganization proceedings, the litigation shall be interrupted. In this case, it may be taken over by the trustee or the other party.

2. If the appointment of a trustee has been terminated or the reorganization proceedings have come to an end, after a litigation was taken over by the trustee or ~~the~~<sup>the</sup> other party after the institution of reorganization proceedings, the litigation shall be interrupted. In this case, the corporation shall take over the litigation.
3. In the case mentioned in the preceding paragraph, the other party may also take over the litigation.
4. The provisions of the preceding three paragraphs shall apply mutatis mutandis to those of cases in respect of the property of the corporation which are pending in administrative offices.



(Stoppage of Business)

Article 189. In order to stop the business in cases where there are special circumstances which make the continuance of business improper in respect of the corporation whose business is being continued, the trustee or the corporation, if there is no trustee, shall obtain the permission from the Court.

(Method of Custody of Property, etc.)

Article 190. The Court may make necessary determination in respect of the method of custody of money and other property and income and outgo of money.

(Examiner)

Article 191. In cases where there is no trustee, the Court may, on application of persons interested or of its own motion, at any time, appoint a disinterested person as the examiner to investigate and report the matters mentioned in Article 130, Article 132 paragraph 1 and Article 133, make out a reorganization plan, enforce the liability of promoters, directors, auditors or liquidators, make supervision in respect of the affairs and property of the corporation and do other matters as ordered by the Court. However, the Court may not cause him to manage the affairs and property of the corporation.

2. The Court may, on application of persons interested or of its own motion, at any time, terminate the appointment of the examiner.

(Application Mutatis Mutandis of Provisions concerning Trustee, etc.)

Article 192. The provisions of Articles 41 to 44, 96, 97, 99 and 100 shall apply mutatis mutandis to the examiner.

2. In cases where there is the examiner, as regards the action concerning the enforcement of the liability of promoters, etc., the examiner shall be plaintiff or defendant.



(Interruption and Taking Over of Litigation in consequence of Appointment of Examiner)

Article 193. If, in cases where the examiner has been appointed, a litigation to enforce the liability of promoters, etc. brought by the corporation is pending, such litigation shall be interrupted. In this case, the examiner shall take over the litigation.

2. The provisions of Article 188 paragraphs 2 and 3 shall apply mutatis mutandis to the case mentioned in the preceding paragraph.

(Consulting Lawyer)

Article 194. The trustee or the corporation, if there is no trustee, may, if it is necessary, appoint a consulting lawyer with the permission of the Court.

(First Meeting of Persons Interested)

Article 195. The trustee, the examiner or the corporation who has reported the matters mentioned in Article 130 or Article 132 paragraph 1 to the Court shall report the gist thereof to the first meeting of persons interested.

Article 196. At the first meeting of persons interested the Court shall hear opinion of the trustee, the examiner, the corporation and the reorganization creditors, secured reorganization creditors and shareholders who have made filing in respect of the establishment or appointment of trustee or examiner and the management of the affairs and property of the corporation.

(Making Out and Submission of Draft of Reorganization Plan)

Article 197. The trustee (if there is no trustee, the corporation, but if there is the examiner who is ordered to make out a draft of reorganization plan, such examiner) shall make out a draft of plan and submit it to the Court within the period of time fixed by the Court after the expiration of the period of time for filing reorganization claims, rights for security in the reorganization and shares.



2. The Court may, on application or of its own motion, extend the period of time mentioned in the preceding paragraph.
3. In cases where a draft of plan cannot be made out, the person provided for in the first paragraph shall submit a report to that effect to the Court within the period of time mentioned in the preceding two paragraphs.

Article 198. The corporation and the reorganization creditors, secured reorganization creditors and shareholders who have made filing may make out a draft of reorganization plan and submit it to the Court within the period of time fixed by the Court.

2. The provision of paragraph 2 of the preceding Article shall apply mutatis mutandis to the case mentioned in the preceding paragraph.

(Draft of Plan whose Contents are Liquidation)

Article 199. If it has become clear after the institution of reorganization proceedings that it is difficult to make out a draft of reorganization plan whose contents are the continuance of the corporation, the amalgamation, the incorporation of a new corporation or the continuance of enterprise by the transfer of business, the Court may, on application of the planner, permit him to make out a draft of plan whose contents are liquidation. However, this shall not apply in cases where it is <sup>P</sup>rejudicial to the general interest of creditors.

2. The Court may cancel the permission mentioned in the preceding paragraph at any time before a draft of plan is put to the resolution.
3. The provision of Article 159 paragraph 3 shall apply mutatis mutandis to the permission mentioned in paragraph 1.

(Meeting of Persons Interested for Examination of Draft of Reorganization Plan)

Article 200. If a draft of reorganization plan has been submitted, the Court shall convene a meeting of persons interested to examine such draft, with fixing the date therefor.



Article 201. At the meeting mentioned in the preceding Article, the Court shall hear opinion on a draft of reorganization plan from the trustee, the examiner, the corporation and the reorganization creditors, secured reorganization creditors and shareholders who have made filing, after hearing an explanation of the draft of plan from the proposer of it.

(Opinion of Supervisory Administrative Offices, etc.)

Article 202. The Court may, if it deems it necessary, request administrative offices supervising the affairs of the corporation, the Attorney-General, the Securities and Exchanges Commission and other administrative agencies to express their opinion on a draft of reorganization plan.

2. In respect of a draft of plan which determines matters which require the permission, the approval, the licence or other dispositions of administrative offices, the Court shall hear the opinion of the administrative office concerned as to such matters.

3. Administrative offices supervising the affairs of the corporation, the Attorney-General or the Securities and Exchanges Commission may express opinion on a draft of plan to the Court at any time.

(Opinion of Labour Union of Corporation, etc.)

Article 203. The Court shall hear, if there is a labour union formed by a majority of the employees of the corporation, the opinion of such union or if there is no such union, the opinion of the person representing a majority of the employees of the corporation, in respect of a draft of reorganization plan.

(Amendment of Draft of Reorganization Plan)

Article 204. Any proposer of a draft of reorganization plan may amend such draft until the date of a meeting of persons interested for the examination of such draft with the permission of the Court.



(Order of Amendment of Draft of reorganization Plan)

Article 205. The Court may, on application of the persons interested or of its own motion, order a proposer of a draft of reorganization plan to amend such draft.

2. If an order has been given by the Court in accordance with the provisions of the preceding paragraph, a proposer of a draft of plan shall amend such draft within the period of time fixed by the Court.

(Reconvening of Meeting of Persons Interested)

Article 206. If amendment has been made in accordance with the provisions of the preceding Article after the date of a meeting of persons interested for the examination of a draft of reorganization plan, the Court may convene again a meeting of the persons interested to examine the amended draft, with fixing the date therefor.

2. The provisions of Article 201 shall apply mutatis mutandis to the meeting of persons interested mentioned in the preceding paragraph.

(Exclusion of Draft of Reorganization Plan)

Article 207. If the Court deems that a draft of reorganization plan contravenes the provisions of law, is not fair and equitable, or is unfeasible, it need not put such draft to the examination or the resolution of a meeting of persons interested, if it prefers.

(Meeting of Persons Interested for Resolution of Draft of Reorganization Plan)

Article 208. If an order of amendment of draft of reorganization plan which had been examined by a meeting of persons interested in accordance with the provisions of Article 200 or 206 has not been given, the Court shall convene a meeting of persons interested to put such draft to the resolution, with fixing the date therefor.

2. In the case mentioned in the preceding paragraph, the Court shall



serve in advance a copy of such draft or the effect thereof on the trustee, the examiner, the corporation, the reorganization creditors, secured reorganization creditors and shareholders who have made filing (excluding those who may not exercise the vote), the persons who bear obligation or furnish security for the reorganization, administrative offices supervising the affairs of the corporation, the Attorney-General and the Securities and Exchanges Commission.

3. The provisions of Article 141 paragraphs 2 and 3 shall apply mutatis mutandis to the service mentioned in the preceding paragraph.

(Appearance of Persons Bearing Obligation for Reorganization, etc.)

Article 209. The persons who bear obligation or furnish security for the reorganization shall appear at the Court at the date mentioned in paragraph 1 of the preceding Article and make the statement to that effect. However, if there is a reasonable cause, he may cause his representative to appear thereat.

2. The representative shall submit to the Court the document establishing his power of representation.

(Alteration of Draft of Reorganization Plan)

Article 210. The proposer of a draft of reorganization plan may alter such draft at a meeting of persons interested mentioned in Article 203 paragraph 1 with the permission of the Court only in cases where such alteration does not produce a prejudicial effect on the reorganization creditors, the secured reorganization creditors and the shareholders.

(Time of Resolution)

Article 211. A draft of reorganization plan shall not be put to the resolution before the termination of general investigation of reorganization claims or rights for security in the reorganization.



(Method of Resolution)

Article 212. At the meeting of persons interested mentioned in Article 203 paragraph 1, the reorganization creditors, the secured reorganization creditors and the shareholders shall adopt a resolution, with dividing themselves into the groups classified under the provisions of Article 159.

(Conditions of Adoption)

Article 213. In order to adopt a draft of reorganization plan at a meeting of persons interested, in groups of the reorganization creditors, the consent of votes representing not less than two-thirds of the total amount of the votes of the reorganization creditors who are able to exercise the vote, in groups of the secured reorganization creditors, the consent of votes representing not less than three-fourths of the total amount of the votes of the secured reorganization creditors who are able to exercise the vote (in order to adopt a draft of plan provided for in Article 199, the consent of the total amount of such votes, and in groups of the shareholders, the consent of votes constituting a majority of the total number of the votes of the shareholders who are able to exercise the vote shall be required.

(Designation of Date for Resumption)

Article 214. Even in cases where a draft of reorganization plan has not been adopted at a meeting of persons interested, if the consent of votes representing more than half of the total amount of the votes of the reorganization creditors who are able to exercise the vote in groups of the reorganization creditors, the consent of votes representing not less than two-thirds of the total amount of the votes of the secured reorganization creditors who are able to exercise the vote in groups of the secured reorganization creditors or the consent of votes constituting not less than one-third of the total number of the votes of the shareholders who are able to exercise the vote in groups of the shareholders, has been given to the continuance of date, the Court



shall, on application of the trustee, the examiner, the corporation or any reorganization creditor, secured reorganization creditor or shareholder who is able to exercise the vote or of its own motion, fix the date for resumption and pronounce it.

(Time of Adoption)

Article 215. The adoption of a reorganization plan shall be made within two months as from the date of the first meeting of persons interested mentioned in Article 203 paragraph 1.

2. The Court may, if it deems it necessary, extend the period of time mentioned in the preceding paragraph on application of the proposer of a draft of plan or of its own motion. However, this period of time shall not exceed one month.

(Common Benefit Obligations)

Article 216. Claims mentioned in the following shall be common benefit obligations;

(1) Juridical costs required for the common interest of the reorganization creditors, the secured reorganization creditors, and the shareholders;

(2) Expenses concerning the management of the enterprise of the corporation which is after the institution of reorganization proceedings and the management and disposition of its property;

(3) Expenses concerning the carrying out of a reorganization plan. However, those arising after the end of reorganization proceedings shall be excluded;

(4) Compensation, expenses and reward money to be paid in accordance with the provisions of Articles 293 and 295;

(5) Claims which have arisen from the act effected after the



- institution of reorganization proceedings by the trustee, the corporation or the reorganization manager in accordance with his authority in respect of the affairs and the property of the corporation;
- (6) Claims which have arisen against the corporation from the management of affairs without mandate or the unjust enrichment after the institution of reorganization proceedings;
- (7) Claims which the other party has in cases where the trustee or the corporation performs the obligation in accordance with the provisions of Article 103 paragraph 1;
- (8) Those of the necessary expenses to be appropriated for the corporation which are other than those mentioned in any of the preceding items.

(Performance of Common Benefit Obligations)

Article 217. Common benefit obligations shall be performed at any time, independently of reorganization proceedings.

2. Common benefit obligations shall be performed prior to reorganization claims and rights for security in the reorganization.

(Method of Performance in Cases where Property of Corporation is Insufficient)

Article 218. In cases where it has become clear that the property of the corporation is insufficient to perform the total amount of the common benefit obligations, such obligations shall be performed corresponding to the rate of amount of those obligations which have not yet been paid, notwithstanding the preferential right provided for in the laws and ordinances. However, the right of retention, the special preferential right, the pledge and <sup>the</sup> hypothec existing with regard to common benefit obligations shall be effective.



Chapter VII Provisions of Reorganization Plan

(Provisions of Reorganization Plan)

Article 219. A reorganization plan shall include provisions altering claims or rights of all or any part of the reorganization creditors, the secured reorganization creditors or the shareholders and provisions for the payment of common benefit obligations.

2. A reorganization plan may include provisions concerning the transfer, investment or lease of the business or the property, the mandate of the management of the enterprise, the alteration of Articles of Incorporation, the alteration of directors, representing directors or auditors, the reduction of the stated capital, the issuance of new shares or debentures, the amalgamation, the dissolution or the incorporation of a new corporation or any other provisions necessary for the reorganization.

(Claims of Reorganization Creditors, etc.)

Article 220. If claims or rights of the reorganization creditors, the secured reorganization creditors or the shareholders are altered, the claims or the rights to be altered shall be clarified and the particulars as to the claims or the rights after the alteration determined.

2. If there are any reorganization creditors, secured reorganization creditors or shareholders whose claims or rights are not to be affected by a reorganization plan or any persons who are excluded from the plan in accordance with the provisions of Article 160, claims or rights of such persons shall be clarified.

(Period of Debt)

Article 221. If any debt whose period is over five years is borne or the period of debt is extended to over five years under a reorganization plan, the manner in which funds for the reimbursement of the debt are raised shall be clarified and such period shall be, if secured, within



the period of the expected useful life of the thing held as security, or if unsecured or if the expected useful life of the thing held as security is not fairly ascertainable, shall not exceed twenty years.

(Offering of Securities and Bearing of Obligations)

Article 222. If the corporation or any person other than the corporation offers securities for the reorganization, the person who offers securities shall be clarified and the particulars as to the right for security determined.

2. If any person other than the corporation bears obligations for the reorganization by holding himself liable for obligations, becoming a surety, etc., he shall be clarified and the particulars as to such obligations determined.

(Unsettled Reorganization Claims, etc.)

Article 223. Concerning reorganization claims or rights for security in the reorganization against which an objection has been raised, if there are those in respect of which the proceedings of settlement have not been brought to a termination, exact measure against them shall be determined with the consideration of the possibility of settlement of them.

(Common Benefit Obligations)

Article 224. As regards common benefit obligations, those which have been performed already shall be clarified and those which shall be performed in future shall be provided for reasonably.

(Transfer of Business or Property, etc.)

Article 225. If a contract for transfer or investment in whole or in part of the business or the property of the corporation, for leasing in whole or in part of the business or the property of the corporation, for placing in whole or in part of the enterprise under the management of another person or for sharing with another person the



profits and losses in relation to the business, or any similar contract is made, altered or terminated, or the whole or a part of the business or the property of another person is taken over, the subject-matter, the consideration, the other party and the other particulars and if the consideration is distributed among the reorganization creditors, the secured reorganization creditors or the shareholders the method of such distribution shall be determined.

(Claims or Rights belonging to Corporation concerning which Dispute has not been brought to Termination)

Article 226. Of claims or rights belonging to the corporation, if there are those concerning which a dispute has not been brought to a termination, provisions concerning the acceptance of compromise or conciliation, or those concerning the performance of the proceedings by the trustee or the examiner or any other sure methods for the enforcement of such claims or rights shall be made.

(Alteration of Articles of Incorporation)

Article 227. If the Articles of Incorporation of a corporation is altered, the particulars as to such alteration shall be determined.

2. In cases where the corporation increases the total capitalization and number of shares to be issued by the corporation, the existence, restriction, or exclusion of the pre-emptive rights of shareholders with respect to the shares to be issued by such increase or the extension thereof to third persons shall be provided for.

(Alteration of Directors, etc.)

Article 228. If the directors or the auditors of the corporation are appointed or the representing directors of it are determined, the persons to be appointed or determined and the term of office or the method of their appointment or determination and the term of office shall be determined.



2. If there are some to be caused to remain in office, out of the directors, the representing directors or the auditors of the corporation, such persons and the term of office shall be determined.
3. If, in the case mentioned in the preceding two paragraphs, two or more representing directors are caused to represent the corporation jointly, such effect shall be determined.
4. The term of office provided for in paragraphs 1 and 2 shall not exceed one year.

(Reduction of Stated Capital)

Article 229. If the stated capital of the corporation is reduced, the following particulars shall be determined:

- (1) The amount of the stated capital to be reduced;
- (2) The method of the reduction of the stated capital.

(Issuance of New Shares)

Article 230. If the corporation issues new shares to the reorganization creditors, the secured reorganization creditors or the shareholders, without causing them to make newly the payment thereon or the investment in kind, the following particulars shall be determined:

- (1) Whether the new shares are those having par value or those without par value, the class and the number;
- (2) Matters relating to the allotment of the new shares;
- (3) The amount of the stated capital and the reserve fund to be increased by the issuance of new shares.

2. If the corporation issues new shares to the reorganization creditors, the secured reorganization creditors or the shareholders, with causing them to make newly the payment thereon or the investment in kind, the following particulars shall be determined:

- (1) The particulars mentioned in items (1) and (3) of the preceding paragraph;
- (2) The amount of the <sup>P</sup>ayment and other matters relating to the allotment of new shares, and the date fixed for the payment on new shares (such date shall be the day when not less than three months have elapsed since the day when a ruling in approval of a reorganization plan was rendered);



(3) If there are persons who make newly any investment in kind, such persons, the property constituting the subject-matter of such investment, the value of such property, and whether the shares to be given in return therefor are those having par value or those without par value, the class and the number;

3. If new shares are issued by the corporation, excluding the cases provided for in the preceding two paragraphs, the following particulars shall be determined:

- (1) The particulars mentioned in paragraph 1 item (1);
- (2) The particulars mentioned in item (3) of the preceding paragraph;
- (3) The issue-price of new shares and the date fixed for the payment (such date shall be the day when not less than three months have elapsed since the day when a ruling in approval of a plan was rendered);
- (4) The amount not credited to the stated capital out of the issue-price of the shares without par value.

(Issuance of Debentures)

Article 231. If debentures are issued by the corporation, the following particulars shall be determined:

- (1) The total amount of debentures;
- (2) The amount of each debenture, the rate of interest payable on each debenture, the manner and the time of redemption of the debentures and of payment of interest and the other particulars as to the debentures;
- (3) The method of issuance of debentures and if the corporation issues debentures to the reorganization creditors, the secured reorganization creditors or the shareholders with or without causing them to make the payment thereon newly, the matters relating to the allotment thereof;
- (4) If they are secured debentures, the particulars as to the right for security.



(Merger)

Article 232. If a corporation is amalgamated with the other corporation and either of them is to continue to exist after the amalgamation, the following particulars shall be determined:

- (1) The trade name of the other corporation;
- (2) If the corporation which continues to exist increases, due to the amalgamation, the total number of shares authorized to be issued by such corporation, whether the shares to be increased are those having par value or those without par value, the class and the number, and the particulars as to the existence, restriction, or exclusion of the pre-emptive rights of shareholders, or the extension thereof to third persons, applicable with respect to such shares;
- (3) Whether the new shares to be issued to the reorganization creditors, the secured reorganization creditors or the shareholders of the corporation which ceases to exist in consequence of the amalgamation are those having par value or those without par value, the class and the number, and the matters relating to the allotment of such shares;
- (4) The amount of the stated capital and the reserve fund to be increased by the corporation which continues to exist;
- (5) If any provision has been made as to the amount payable to or the allotment of debentures to the shareholders of the corporation which ceases to exist due to the amalgamation, such provision;
- (6) The date and time of a general meeting of the shareholders of the other corporation for the resolution of the approval of a written contract of amalgamation;
- (7) If any provision has been made as to the date on which the amalgamation is to be effected, such provision.



(Consolidation)

Article 233. If a corporation is amalgamated with the other corporation and a new corporation is incorporated, the following particulars shall be determined:

- (1) The trade name of the other corporation;
- (2) The trade name, the object and the seat of the principal office and each branch office of the new corporation as well as the method of giving public notice;
- (3) Whether the shares authorized to be issued by the new corporation are those having par value or those without par value, the class and the number;
- (4) The particulars as to the existence, restriction, or exclusion of the pre-emptive rights of shareholders, or the extension thereof to third persons, applicable with respect to all the shares authorized to be issued by the new corporation which are provided for at the time of incorporation of the new corporation;
- (5) Whether shares to be issued to the reorganization creditors, the secured reorganization creditors or the shareholders of each corporation are those having par value or those without par value, the class and the number, and the matters relating to the allotment of such shares;
- (6) The amount of the stated capital and the reserve fund of the new corporation;
- (7) If any provision has been made as to an amount payable to or the allotment of debentures to the shareholders of each corporation, such provision;
- (8) The particulars mentioned in items (6) and (7) of the preceding Article.

(Incorporation of New Corporation)

Article 234. If a new corporation is incorporated by causing the reorganization creditors, the secured reorganization creditors or the



shareholders to take shares without making newly the payment thereon or the investment in kind, the following particulars shall be determined:

- (1) The trade name, the object and the seat of the principal office and each branch office of the new corporation as well as the method of giving public notice;
- (2) The total number of shares authorized to be issued by the new corporation;
- (3) If share having par value are issued, the amount of each share;
- (4) The particulars as to the existence, restriction, or exclusion of the pre-emptive rights of shareholders, or the extension thereof to third persons, applicable with respect to the total number of the shares authorized to be issued by the <sup>now</sup> corporation which are provided for at the time of incorporation ~~thereof~~;
- (5) Whether shares to be issued to the reorganization creditors, the secured reorganization creditors or the shareholders are those having par value or those without par value, the class and the number, and the matters relating to the allotment thereof;
- (6) Any other particulars to be stated in the Articles of Incorporation of the new corporation;
- (7) The amount of the stated capital and the reserve fund of the new corporation;
- (8) The property and its value to be transferred from the corporation to the new corporation;
- (9) The persons who shall become the directors, the representing directors and the auditors of the new corporation or the method of their appointment or determination and their term of office (however, such term shall not exceed one year);
- (10) If the new corporation issues debentures, the particulars mentioned in Article 231.

2. If a new corporation is incorporated by any of the events other



than amalgamation, excluding the case provided for in the preceding paragraph, the following particulars shall be determined:

- (1) The particulars mentioned in items (1) to (4), (6) and (8) to (10) of the preceding paragraph;
- (2) Whether shares to be issued at the time of incorporation of the new corporation are those having par value or those without par value, the class and the number, if shares without par value are to be issued at the time of incorporation of the new corporation, their issue-price and the amount not credited to the stated capital out of such issue-price, and if the reorganization creditors, the secured reorganization creditors or the shareholders are caused to take shares, with or without making newly the payment thereon or the investment in kind, the particulars mentioned in item (5) of the preceding paragraph;
- (3) If there are persons who make newly any investment in kind, such persons, the property constituting the subject-matter of such investment, the value of such property and whether shares to be given in return therefor are those having par value or those without par value, the class and the number.

(Dissolution)

Article 235. If a corporation is dissolved by any of the events other than amalgamation, that effect and the time of dissolution shall be determined.

(Gradation of Conditions)

Article 236. In a reorganization plan, conditions of plan shall fairly and equitably be graded with the consideration of the order of the following rights or claims:

- (1) Right for security in the reorganization;
- (2) Reorganization claim having general preferential right, or other general priorities;



- (3) Reorganization claims other than those mentioned in the preceding item and the following one;
  - (4) Deferred reorganization claim;
  - (5) Right of shareholder holding shares of preferred class regarding the distribution of surplus assets;
  - (6) Rights of shareholder other than that mentioned in the preceding item.
2. The provision of the preceding paragraph shall not apply to the claims mentioned in Article 121 paragraph 1 item (5) and Article 122.

(Principle of Equality)

Article 237. Conditions of reorganization Plan shall be on an equal footing as among the persons having the claim or right of the same kind. However, in respect of the reorganization creditors and the secured reorganization creditors, this shall not apply in cases where it is not inequitable to make any special provisions for small obligations or to discriminate as among those persons.

(Provisions in respect of appointment, etc. of Directors, etc.)

Article 238. The provisions of a reorganization plan in respect of appointment, determination or remaining in office of the directors, the representing directors or the auditors of the corporation or a new corporation (excluding a new corporation incorporated due to amalgamation) or the method of such appointment or determination shall be equitable and agree with the general interest of the reorganization creditors, the secured reorganization creditors or the shareholders.

(Invalidity of Giving Special Benefit)

Article 239. Any act done by the corporation or a third person independently of conditions of a reorganization plan, which gives special benefit to any of the reorganization creditors, the secured reorganization creditors or the shareholders shall be null and void.



Chapter VIII Approval or Disapproval and Carrying  
Out of Reorganization Plan

(Approval or Disapproval of Reorganization Plan)

Article 240. If a draft of reorganization plan has been adopted in a meeting of persons interested, the Court shall render a ruling in respect of approval or disapproval of the plan at that date or the date pronounced immediately.

2. Any of the persons mentioned in Articles 165 and 166 may express his opinion on approval or disapproval of the plan.
3. The public notice and service of a ruling fixing the date for approval or disapproval of the plan is not required, if the pronouncement thereof has been made.

(Conditions of Approval of Reorganization Plan)

Article 241. The Court may render a ruling in approval of a reorganization plan only in cases where the following conditions are fulfilled:

- (1) That the reorganization proceedings or the plan is in accordance with the provisions of law;
  - (2) That the plan is fair and equitable, and feasible;
  - (3) That the resolution has been adopted in the faithful and fair way;
  - (4) That in respect of the plan whose contents are amalgamation, the resolution of the approval of a written contract of amalgamation has been adopted in a general meeting of the shareholders of the other corporation;
  - (5) That in respect of a plan which determines matters which require the permission, the approval, the licence or other dispositions of administrative offices, it is not in contradiction to the opinion of administrative offices under the provision of Article 202 paragraph 2 in respect of important points.
2. Even in cases where the reorganization proceedings are in contravention of the provisions of law, if the Court deems it improper not to approve the plan, with considering the degree of the contravention, the existing condition of the corporation and all the other circumstances, it may render a ruling in approval of the plan.

(Approval in Cases where there is Dissenting Group)

Article 242. In respect of a draft of reorganization plan, even in cases where there is a group which could not get, in a meeting of persons interested, the consent of those who have the vote of not less than the legal amount or number, the Court may render a ruling



in approval of the plan with altering the draft of plan to make the provisions for protection of claim or right by any of the following methods for the reorganization creditors, the secured reorganization creditors or the shareholders of such group:

- (1) For secured reorganization creditors, the property which is the subject-matter of right for security, subject to such right, shall be transferred to the new corporation, assigned to others or retained by the corporation;
  - (2) For secured reorganization creditors, the property which is the subject-matter of right, for reorganization creditors, the property of the corporation to be appropriated to the reimbursement of claim and for shareholders, the property of the corporation to be appropriated to the distribution of the surplus assets shall be sold at the price not less than the fair transaction price determined by the Court (in respect of the property which is the subject-matter of right for security, it shall be valued on the supposition that it is free of right for security), and the reimbursement shall be made with the proceeds minus the expenses of such sale or such sum shall be distributed or deposited;
  - (3) The fair transaction price of claim or right determined by the Court shall be paid to persons having claim or right;
  - (4) Persons having claim or right shall be protected fairly and equitably by any other methods corresponding to any of the preceding items.
2. In respect of a draft of plan, in cases where there is a group which, it is clear, cannot get, in a meeting of persons interested, the consent of those who have the vote of not less than the legal amount or number, the Court may, on his application, <sup>to make out a plan,</sup> permit the planner/ with his making in advance the provisions for protection of claim or right by any of the methods mentioned in the preceding paragraph for the reorganization creditors, the secured reorganization creditors or the shareholders of such group.
3. If the application mentioned in the preceding paragraph has been made, the Court shall hear the opinion of the applicant and one or more of the persons having claim or right of the group provided for in the same paragraph.

(Pronouncement of Ruling of Approval or Disapproval of Reorganization Plan, etc.)

Article 243. A ruling in approval or disapproval of a reorganization plan shall be pronounced and the text of the ruling and the gist of the reasons for the ruling and the plan or its gist shall be noticed publicly, but the service thereof is not required.



2. The provision of Article/<sup>35</sup>paragraph 1 shall apply mutatis mutandis in cases where the ruling mentioned in the preceding paragraph has been rendered.

(Time when Reorganization Plan shall Become Effective)

Article 244. A reorganization plan shall become effective at the time when a ruling in approval of plan has been rendered.

(Complaint)

Article 245. An immediate complaint may be raised against a ruling in approval or disapproval of a reorganization plan. However, this shall not apply to the reorganization creditors, the secured reorganization creditors or the shareholders who have not made filing.

2. In order for a reorganization creditor, secured reorganization creditor or shareholder who had not the vote to make the complaint mentioned in the preceding paragraph, he shall render it credible that he is a reorganization creditor, secured reorganization creditor or shareholder.
3. The complaint mentioned in the first paragraph shall not affect the carrying out of plan. However, if any grounds asserted by the complainant seem to be legally reasonable and there is any urgent necessity for evading the irreparable loss to be caused by the carrying out of a plan and also the facts have been made credible, the Court of Complaint or the Reorganization Court may, on application, order a stay of the carrying out of the whole or a part of the plan, upon or without security being given or any other necessary dispositions, up to the time when a ruling is rendered in respect of the complaint.
4. The provisions of the preceding three paragraphs shall apply mutatis mutandis to the complaint under the provisions of Article 419-(2) (Special Complaint) of the Code of Civil Procedure applied mutatis mutandis by Article 8.

(Cases where Ruling in Disapproval of Reorganization Plan has Become Irrevocable)

Article 246. The provisions of Articles 290 and 291 shall apply mutatis mutandis in cases where a ruling in disapproval of a reorganization plan has become irrevocable.

(Entry in List of Reorganization Creditors, etc.)

Article 247. In cases where a ruling in approval of a reorganization plan has become irrevocable, the court clerk shall enter the provisions of the plan in the list of reorganization creditors, that of secured reorganization creditors and that of shareholders.



(Scope of Effect of Reorganization Plan)

Article 248. A reorganization plan shall have its effect for and against the corporation, all the reorganization creditors, secured reorganization creditors and shareholders, persons who bear obligations or offer securities for the reorganization, and a new corporation (excluding a new corporation incorporated due to amalgamation).

2. A plan shall not affect the right which the reorganization creditors or the secured reorganization creditors have against a surety of the corporation or other persons who bear the obligation together with the corporation and the security which a person other than the corporation has offered for the reorganization creditors or the secured reorganization creditors.

(Discharge from Reorganization Claims, etc.)

Article 249. If a ruling in approval of a reorganization plan has been rendered, the corporation shall be discharged from all the reorganization claims and rights for security in the reorganization, and all the rights of shareholder and rights for security over the property of the corporation shall be extinguished, except the claims and rights reorganized to continue to exist in accordance with the provisions of the plan or the provisions of this Law. However, this shall not apply to claims mentioned in Article 121 paragraph 1 items (5) and (6).

(Alteration of Claims or Rights)

Article 250. If a ruling in approval of a reorganization plan has been rendered, claims or rights of the reorganization creditors, the secured reorganization creditors and the shareholders shall be altered in accordance with the provisions of the plan.

2. The provisions of Article 208 (Effect of Pledge) and Article 209 paragraph 4 (Delivery of Share Certificate) of the Commercial Code shall apply mutatis mutandis to money and other things, shares, obligations and other rights, and share certificates which are to be received by the shareholders in accordance with the alteration of right under the provision of the preceding paragraph.

(Claims or Rights of Reorganization Creditors and Secured Reorganization Creditors)

Article 251. In cases where claims or rights have been recognized in favour of the reorganization creditors or the secured reorganization creditors in accordance with the provisions of a reorganization plan, such claims or rights shall be recognized in favour of only the persons who have the settled reorganization claims or rights for security in the



(Scope of Effect of Reorganization Plan)

Article 248. A reorganization plan shall have its effect for and against the corporation, all the reorganization creditors, secured reorganization creditors and shareholders, persons who bear obligations or offer securities for the reorganization, and a new corporation (excluding a new corporation incorporated due to amalgamation).

2. A plan shall not affect the right which the reorganization creditors or the secured reorganization creditors have against a surety of the corporation or other persons who bear the obligation together with the corporation and the security which a person other than the corporation has offered for the reorganization creditors or the secured reorganization creditors.

(Discharge from Reorganization Claims, etc.)

Article 249. If a ruling in approval of a reorganization plan has been rendered, the corporation shall be discharged from all the reorganization claims and rights, for security in the reorganization, and all the rights of shareholder and rights for security over the property of the corporation shall be extinguished, except the claims and rights reorganized to continue to exist in accordance with the provisions of the plan or the provisions of this Law. However, this shall not apply to claims mentioned in Article 121 paragraph 1 items (5) and (6).

(Alteration of Claims or Rights)

Article 250. If a ruling in approval of a reorganization plan has been rendered, claims or rights of the reorganization creditors, the secured reorganization creditors and the shareholders shall be altered in accordance with the provisions of the plan.

2. The provisions of Article 208 (Effect of Pledge) and Article 209 paragraph 4 (Delivery of Share Certificate) of the Commercial Code shall apply mutatis mutandis to money and other things, shares, obligations and other rights, and share certificates which are to be received by the shareholders in accordance with the alteration of right under the provision of the preceding paragraph.

(Claims or Rights of Reorganization Creditors and Secured Reorganization Creditors)

Article 251. In cases where claims or rights have been recognized in favour of the reorganization creditors or the secured reorganization creditors in accordance with the provisions of a reorganization plan, such claims or rights shall be recognized in favour of only the persons who have the settled reorganization claims or rights for security in the



reorganization.

(Rights of Shareholders who have not Made Filing)

Article 252. In cases where rights have been recognized in favour of the shareholders in accordance with the provisions of a reorganization plan, such rights shall be recognized also in favour of the shareholders who have not filed their shares.

(Effect of Entry in List of Reorganization Creditors, etc.)

Article 253. If a ruling in approval of a reorganization plan has become irrevocable, in respect of claims or rights recognized to continue to exist by the provisions of the plan in accordance with the reorganization claims or the rights for security in the reorganization, their entry in the list of reorganization creditors or that of secured reorganization creditors shall have the same effect as the irrevocable judgment so far as the corporation, a new corporation (excluding a new corporation incorporated due to amalgamation), the reorganization creditors, the secured reorganization creditors, the shareholders of the corporation and persons who bear obligations or offer securities for the reorganization are concerned.

2. Any person who has the claim or right to demand the payment of money or other performances out of those provided for in the preceding paragraph may make compulsory execution in accordance with the list of reorganization creditors or that of secured reorganization creditors against the corporation or the persons who have borne obligations for the reorganization after the termination of the reorganization proceedings, but this shall not preclude the application of the provisions of Articles 452 (Right of Defence of Peremptory Notice) and 453 (Right of Defence of Search) of the Civil Code.

3. The provisions of Articles 516 to 558 (Compulsory Execution due to Judgment) of the Code of Civil Procedure shall apply mutatis mutandis to the case mentioned in the preceding paragraph, but the action brought in accordance with the provisions of Articles 521 (Action for Issue of Execution Clause), 545 (Action of Objection to Claim) and 546 (Action of Objection to Issue of Execution Clause) of the same Code shall fall under the exclusive jurisdiction of the Reorganization Court.

(Stayed Proceedings Becoming Null and Void)

Article 254. If a ruling in approval of a reorganization plan has been rendered, the bankruptcy proceedings, compulsory execution, provisional attachment, provisional disposition and



official auction in accordance with the provisions of the Official Auction Law, whose proceedings have been stayed in accordance with the provisions of Article 67 paragraph 1 shall become null and void. However, this shall not apply to the proceedings or the disposition continued in accordance with the provision of paragraph 6 of the same Article.

2. Superior obligations in the bankruptcy proceedings which has become null and void in accordance with the provision of the preceding paragraph (however, those mentioned in Article 47 items (2) (Claim which may be collected by the Law for Collection of National Taxes or the Method of Collection of National Taxes) and (9) (Allowance in aid for the bankrupt and those who are supported by him) of the Bankruptcy Law shall be excluded) shall be common benefit obligations.

(Carrying Out of Reorganization Plan)

Article 255. If a ruling in approval of a reorganization plan has been rendered, the trustee and the corporation, if there is no trustee, shall immediately carry out the plan.

2. The Court may, in cases where there is no trustee, if it deems it necessary, appoint persons other than the corporation as reorganization managers to carry out a plan.
3. If a corporation is incorporated in accordance with the provisions of a plan, the duty of promoters or organizing committee shall be performed by the persons provided for in the preceding two paragraphs.
4. The provisions of Articles 41 to 44, 96, 97, 99 and 100 shall apply mutatis mutandis to reorganization managers.

(Orders of Court in respect of Carrying Out of Reorganization Plan)

Article 256. The Court may issue orders necessary for the carrying out of a reorganization plan to the persons mentioned in Article 248 paragraph 1 and the preceding Article.

2. If the Court deems it necessary for securing the carrying out of a plan, it may cause proper security to be furnished for persons having the credit under the provisions of the plan or this Law, or those having the reorganization claim or the right for security in the reorganization to which an objection has been raised and in respect of which the settlement proceedings have not been brought to a termination.
3. The provisions of Articles 112 (Method of Furnishing Security), 113 (Right of Defendant to Subject-matter of Security), 115 (Cancellation of Security) and 116 (Substitution of Subject-matter of Security) of the Code of Civil Procedure shall apply mutatis mutandis to the security under the provision of the preceding paragraph.



(Exclusion of Provisions of Laws and Ordinances, etc. in respect of Resolution at General Meeting of Shareholders, etc.)

Article 257. In respect of the carrying out of a reorganization plan, a resolution at the constituent general meeting of the corporation, a general meeting of shareholders (including a general meeting of a certain class of shareholders) or the board of directors meeting is not required, notwithstanding the provisions of laws and ordinances or the Articles of Incorporation.

(Exceptions to Provisions of Commercial Code in respect of Transfer of Business, etc.)

Article 258. If the making, alteration or termination of a contract for transfer or investment in whole or in part of the business or the property of the corporation, for leasing in whole or in part of the business or the property of the corporation, for placing in whole or in part of the enterprise under the management of another person or for sharing with another person the profits and losses in relation to the business, or any similar contract, or the taking over in whole or in part of the business or the property of another person is provided for in a reorganization plan in accordance with the provisions of Article 225, the corporation may do those acts in accordance with the provisions of the plan.

2. The provisions of Articles 245-(2) to 245-(4) (Demand by Opposing Shareholders for Buying Shares) of the Commercial Code shall not apply in the case mentioned in the preceding paragraph.

(Exception to Provisions of Commercial Code, in respect of Alteration of Articles of Incorporation)

Article 259. If the alteration of the Articles of Incorporation of the corporation has been determined in a reorganization plan in accordance with the provisions of Article 227, the Articles of Incorporation shall be altered in accordance with the provisions of the plan at the time when a ruling in approval of the plan has been rendered.

(Exceptions to Provisions of Commercial Code in respect of Alteration of Directors, etc.)

Article 260. If the appointment of directors or auditors or the determination of representing directors is determined in a reorganization plan in accordance with the provisions of Article 228, those persons shall be appointed or determined at the time when a ruling



in approval of the plan has been rendered.

2. If the method of appointment of directors or determination of representing directors is determined in a plan in accordance with the provisions of Article 228, those persons may be appointed or determined in accordance with the method determined in the plan. The provisions of Article 254 paragraph 1 (including cases to which the application of this paragraph mutatis mutandis is provided for in Article 280 of the Commercial Code) (Appointment of Directors and Auditors) and Article 261 paragraph 1 (Determination of Representing Directors) of the Commercial Code shall not apply in this case.
3. Those of the directors, the representing directors or the auditors of the corporation whose remaining in office has not been determined in a plan shall be released from office at the time when a ruling in approval of the plan has been rendered.
4. The term of office of the directors, the representing directors or the auditors who have been appointed or determined in accordance with the provisions of paragraph 1 or 2 or have remained in office in accordance with the provisions of a plan and the method of representation of representing directors shall be in accordance with the provisions of the plan.

(Exceptions to Provisions of Commercial Code, etc. in respect of Reduction of Stated Capital)

Article 261. If the reduction of a stated capital is determined in a reorganization plan in accordance with the provisions of Article 229, the stated capital may be reduced in accordance with the provisions of the plan.

2. The provisions of Article 212 paragraph 2 (Procedure of Amortization of Shares), Article 376 paragraphs 2 and 3 (Procedure of Reduction of Stated Capital) and Article 380 (Action in respect of Nullity of Reduction of Stated Capital) of the Commercial Code shall not apply in the case mentioned in the preceding paragraph and the case provided for in the proviso (Permission of Sale of Fractional Shares by Method other than Official Auction) of Article 379 paragraph 1 of the same Code shall fall under the jurisdiction of the Reorganization Court.
3. In the case mentioned in the first paragraph, a copy or extract of a written ruling in approval of a plan shall be annexed to a written application for registration of alteration due to the reduction of the stated capital of the corporation.



(Exceptions to Provisions of Commercial Code, etc. in respect of Issuance of New Shares)

Article 262. If the issuance of new shares by the corporation to the reorganization creditors, the secured reorganization creditors or the shareholders without their making newly the payment thereon or the investment in kind is determined in a reorganization plan in accordance with the provision of Article 230 paragraph 1, those persons having claim or right shall become shareholders at the time when a ruling in approval of the plan has been rendered.

2. In the case mentioned in the preceding paragraph, the corporation shall not be bound by the provisions of Articles of Incorporation in respect of the pre-emptive right.
3. The provisions of Articles 377 to 379 (Consolidation of Shares) of the Commercial Code shall apply mutatis mutandis in cases where there occur fractional shares in allotting shares to the shareholders. In this case, the case provided for in the proviso of Article 379 paragraph 1 of the same Code shall fall under the jurisdiction of the Reorganization Courts and the provisions of Article 132-(3) (Application for Permission of Sale of Fractional Shares by Method other than Official Auction) of the Law of Procedure in Non-contentious Matters (Lsw No. 14 of 1898) shall apply mutatis mutandis thereto.

Article 263. If the issuance of new shares by the corporation is determined in a reorganization plan in accordance with the provisions of Article 230 paragraph 2 or 3, the corporation may issue new shares in accordance with the provisions of the plan.

2. The provisions of Articles 280-(3) (Uniformity of Conditions of Issuance, 280-(8) (Investigation of Investment in Kind), 280-(10) (Suspension of Issuance), 280-(11) (Liability of Person who has Subscribed for Shares at Unfair Price), 280-(13) (Liability of Directors to Secure Subscription) and 280-(15) to 280-(18) (Action in respect of Nullity of Issuance of New Shares) of the Commercial Code shall not apply in the case mentioned in the preceding paragraph.
3. In the case mentioned in the first paragraph, the corporation shall not be bound by the provisions of the Articles of Incorporation in respect of the pre-emptive right and the case provided for in Article 178 (Changing of Bank, etc. to Conduct Business of Receiving Payment on Shares) of the Commercial Code applied mutatis mutandis by Article 280-(14) (Application Mutatis Mutandis of Provisions in respect of Incorporation to Case of Issuance of New Shares) of the same Code shall fall under the jurisdiction of the Reorganization Court.



4. The provisions of Article 280-(5) (Exercise of Pre-emptive Right) of the Commercial Code shall apply mutatis mutandis to the case mentioned in the first paragraph. In this case, in paragraph 2 of the same Article, "share certificates" shall read "share certificates or debenture certificates."
5. If new shares are issued to the reorganization creditors, the secured reorganization creditors or the shareholders, with causing them to make newly the payment thereon or the investment in kind, it suffices that those persons having claim or right shall make the payment or the sum of the investment in kind, which is determined in the plan.
6. The provision of paragraph 3 of the preceding Article shall apply mutatis mutandis in cases where there are fractional shares in respect of shares allotted to shareholders with causing them to make newly the payment thereon or the investment in kind. However, in this case, the amount equivalent to the amount to be paid or the investment in kind to be made, in respect of fractional shares shall be deducted from the proceeds to be delivered to the former shareholders.
7. In the case mentioned in the first paragraph, besides a copy or extract of a written ruling in approval of a plan, the document proving application for and taking of shares and such certificate as to the deposit of the money paid as has been delivered by a bank or a trust company dealing with matters relating to payments on shares shall be annexed to a written request of or a written application for the registration of alteration due to the issuance of new shares by the corporation.

(Exceptions to Provisions of Commercial Code, etc. in respect of Issuance of Debentures)

Article 264. If the issuance of debentures by the corporation to the reorganization creditors, the secured reorganization creditors or the shareholders without causing them to make the payment thereon newly is determined in a reorganization plan in accordance with the provisions of Article 231, those persons having claim or right shall become debenture holders at the time when a ruling in approval of the plan has been rendered.

2. In the case mentioned in the preceding paragraph, the provisions of Article 298 (Restriction of Invitation of Subscriptions for Debentures in cases where there remain Unpaid Debentures) of the Commercial Code shall not apply.
3. In the case mentioned in the first paragraph, the amount of debentures to be issued to reorganization creditors or secured reorganization creditors in accordance with the provisions of a plan shall not be included in the total amount of debentures, in res-



pect of the application of the provisions of Article 297 (Restriction of Total Amount of Debentures) of the Commercial Code.

4. In the case mentioned in the first paragraph, besides a copy or extract of a written ruling in approval of a plan, if there is the transfer agent, the document proving such fact shall be annexed to a written request of the registration of debentures.
5. In the case mentioned in the first paragraph, if the debentures concerned are secured debentures, besides the documents mentioned in the preceding paragraph, if there are the trust document and the contract document mentioned in Article 19-(4) paragraph 1 (Formula of Trust Contract in Cases where Total Amount of Debentures are Divided into Several Issues) of the Law of Trust for Secured Debentures, those documents shall be annexed to the written request mentioned in the same paragraph.

Article 265. If the issuance of debentures by the corporation is determined in a reorganization plan in accordance with the provisions of Article 231, excluding the case provided for in the preceding Article, the corporation may issue debentures in accordance with the provisions of the plan.

2. If debentures are issued to the reorganization creditors, the secured reorganization creditors or the shareholders with causing them to make the payment thereon newly, it suffices that those persons having claim or right shall make the payment of the sum which is determined in a plan.
3. The provisions of Article 263 paragraph 4 and paragraphs 2 and 3 of the preceding Article shall apply mutatis mutandis to the case mentioned in the first paragraph.
4. In the case mentioned in the first paragraph, besides a copy or extract of a written ruling in approval of a plan, the document proving application for and taking of debentures and the document proving the payment has been made in respect of each debenture, as well as if there is any corporation which has been commissioned to invite subscriptions for debentures, the document proving such commission, and if there is the transfer agent, the document proving such fact shall be annexed to a written request of or a written application for the registration of debentures.
5. In the case mentioned in the first paragraph, if the debentures concerned are secured debentures, besides the documents mentioned in the preceding paragraph, if there are the trust document and the contract document mentioned in Article 19-(4) paragraph 1 of the Law of Trust for Secured Debentures, those documents shall be annexed to the written



request or the written application mentioned in the same paragraph.

(Exceptions to Provisions of Commercial Code, etc. in respect of Amalgamation)

Article 266. If the amalgamation of the corporation with another corporation is determined in a reorganization plan in accordance with the provisions of Article 232 or 233, the corporation may make the amalgamation in accordance with the provisions of the plan.

2. In the case mentioned in the preceding paragraph, the reorganization creditors or the secured reorganization creditors who have been allotted shares of the corporation which continues to exist after the merger or a new corporation which is incorporated by the consolidation shall become subscribers for shares at the time when a ruling in approval of the plan has been rendered and shall become shareholders at the time when the amalgamation has become effective.
3. The provisions of Article 408-(2) (Demand by Opposing Shareholder for Buying Shares) and Article 415 (Person Entitled to Bring Action in respect of Nullity of Amalgamation) of the Commercial Code shall not apply in the case mentioned in the first paragraph and the case provided for in the proviso of Article 379 paragraph 1 of the same Code applied mutatis mutandis by Article 416 paragraph 3 (Application Mutatis Mutandis of Provisions in respect of Consolidation of Shares in Case of Amalgamation) of the same Code shall fall under the jurisdiction of the Reorganization Court.
4. The provisions of Articles 99 (Preparation of Inventory and Balance Sheet) and 100 (Procedure of Protection of Creditors), Article 104 paragraphs 1 and 3 (Action in respect of Nullity of Amalgamation), Articles 105 (Procedure of Action in respect of Nullity of Amalgamation), 108 to 111 (Registration of Nullity of Amalgamation, Effect of Judgement to Third Person, Non-retroactivity of Effect of Judgment, Liability to Discharge Obligation and Holding of Property after Amalgamation), and Article 376 paragraph 3 (Objection of Debenture Holder) of the Commercial Code shall not apply mutatis mutandis to the case mentioned in the first paragraph, notwithstanding the provisions of Article 416 paragraphs 1 and 2 (Application Mutatis Mutandis of Provisions in respect of Amalgamation of Gomei-kaisha, etc.) of the same Code.
5. The provisions of the preceding four paragraphs shall not preclude the application of the provisions of the Commercial Code to the other corporation which is the other party of the amalgamation.
6. The provisions of Article 264 shall apply mutatis mutandis in cases where debentures



request or the written application mentioned in the same paragraph.

(Exceptions to Provisions of Commercial Code, etc. in respect of Amalgamation)

Article 266. If the amalgamation of the corporation with another corporation is determined in a reorganization plan in accordance with the provisions of Article 232 or 233, the corporation may make the amalgamation in accordance with the provisions of the plan.

2. In the case mentioned in the preceding paragraph, the reorganization creditors or the secured reorganization creditors who have been allotted shares of the corporation which continues to exist after the merger or a new corporation which is incorporated by the consolidation shall become subscribers for shares at the time when a ruling in approval of the plan has been rendered and shall become shareholders at the time when the amalgamation has become effective.
3. The provisions of Article 408-(2) (Demand by Opposing Shareholder for Buying Shares) and Article 415 (Person Entitled to Bring Action in respect of Nullity of Amalgamation) of the Commercial Code shall not apply in the case mentioned in the first paragraph and the case provided for in the proviso of Article 379 paragraph 1 of the same Code applied mutatis mutandis by Article 416 paragraph 3 (Application Mutatis Mutandis of Provisions in respect of Consolidation of Shares in Case of Amalgamation) of the same Code shall fall under the jurisdiction of the Reorganization Court.
4. The provisions of Articles 99 (Preparation of Inventory and Balance Sheet) and 100 (Procedure of Protection of Creditors), Article 104 paragraphs 1 and 3 (Action in respect of Nullity of Amalgamation), Articles 105 (Procedure of Action in respect of Nullity of Amalgamation), 108 to 111 (Registration of Nullity of Amalgamation, Effect of Judgement to Third Person, Non-retroactivity of Effect of Judgment, Liability to Discharge Obligation and Holding of Property after Amalgamation), and Article 376 paragraph 3 (Objection of Debenture Holder) of the Commercial Code shall not apply mutatis mutandis to the case mentioned in the first paragraph, notwithstanding the provisions of Article 416 paragraphs 1 and 2 (Application Mutatis Mutandis of Provisions in respect of Amalgamation of Gomei-kaisha, etc.) of the same Code.
5. The provisions of the preceding four paragraphs shall not preclude the application of the provisions of the Commercial Code to the other corporation which is the other party of the amalgamation.
6. The provisions of Article 264 shall apply mutatis mutandis in cases where debentures



are allotted to shareholders in accordance with the provision of Article 232 item (5) or Article 233 item (7). In this case, the shareholders shall become debenture holders at the time when the amalgamation has become effective.

7. In the case mentioned in the first paragraph, besides a copy or extract of a written ruling in approval of a plan, a written contract of amalgamation and the document mentioned in Article 193-(2) paragraph 2 (Registration in respect of Succession to Debentures due to Amalgamation of the Law of Procedure in Non-contentious Matters shall be annexed to a written request of or a written application for the registration of dissolution or alteration of the corporation due to amalgamation.
8. In the case mentioned in the first paragraph, besides a copy or extract of a written ruling in approval of a plan, a written contract of amalgamation, the Articles of Incorporation, the minutes of the constituent general meeting, the minutes of the board of directors meeting in respect of representing directors, the document proving the qualification of organizers appointed by the other corporation which is the other party of amalgamation and the document mentioned in Article 193-(2) paragraph 2 of the Law of Procedure in Non-contentious Matters, applied mutatis mutandis by Article 193-(3) paragraph 2 (Application Mutatis Mutandis of Provision of Registration in respect of Succession to Debentures due to Amalgamation) of the same Law shall be annexed to a written request of or a written application for the registration of incorporation due to amalgamation.

(Exceptions to Provisions of Commercial Code, etc. in respect of Incorporation of New Corporation)

Article 267. If the incorporation of a new corporation by causing the reorganization creditors, the secured reorganization creditors or the shareholders to subscribe for shares without making newly the payment thereon or the investment in kind is determined in a reorganization plan in accordance with the provisions of Article 234, the new corporation may be incorporated at the time of effecting the registration of incorporation after preparing Articles of Incorporation and obtaining the attestation of the Reorganization Court thereto.

2. In the case mentioned in the preceding paragraph, the property of the corporation to be transferred to the new corporation in accordance with the provisions of the plan shall be transferred thereto at the time of coming into existence of the new corporation and the



reorganization creditors, the secured reorganization creditors or the shareholders who have been allotted shares or debentures of the new corporation shall become shareholders or debenture holders at the same time.

3. The provisions of Article 260 paragraphs 1, 2 and 4, Article 262 paragraph 3, Article 264 paragraphs 3 to 5 and Article 265 shall apply mutatis mutandis to the case mentioned in the preceding two paragraphs.

4. In the case mentioned in the first paragraph, besides a copy or extract of a written ruling in approval of a plan, the Articles of Incorporation, if the method of appointment of directors or auditors or of determination of representing directors has been determined in the plan, the document relating to such appointment or determination and if there are transfer agents or registrars, the document proving such fact shall be annexed to a written request of the registration of incorporation of the new corporation.

Article 268. Except the case provided for in the preceding Article, if the incorporation of a new corporation by any of events other than amalgamation is determined in a reorganization plan in accordance with the provisions of Article 234, the new corporation may be incorporated in accordance with the provisions of the plan.

2. The provisions of Articles 165 (Number of Promoters), 167 (Attestation of Articles of Incorporation), 168-(2) (Determination of Matters in respect of Issuance of Shares at Time of Incorporation), 169 (Promoters' Taking of Shares), 170 (Payment on Each Share and Appointment of Officers in Incorporation by Promoters' Taking of All Shares), 173 (Investigation of Inspectors and Disposal of Court), Article 175 paragraph 2 item (9) (Entry in Application Form in respect of Promoters' Taking of Shares), Articles 181 (Investigation of Inspectors), 183 (Appointment of Directors and Auditors in Constituent General Meeting) Article 184 paragraphs 2 and 3 (Investigation of Procedure of Incorporation and Report), Articles 185 (Alteration of Matters of Improper Nature in respect of Incorporation), 186 (Demand for Damages against Promoters), 192 (Promoters' Liability to Secure Taking of and Payment on Shares), 193 (Promoters' Liability for Damages), 195 (Joint and Several Liability of Directors, etc.), 196 (Release of Promoters from Liability, Representative Suit of Shareholders), 198 (Liability of Quasi-Promoters) and 428 (Action in respect of Nullity of Incorporation) of the Commercial Code shall not apply to the case mentioned in the preceding paragraph.

3. In the case mentioned in the first paragraph, the Articles of Incorporation shall be



attested by the Reorganization Court, the case provided for in Article 178 of the Commercial Code shall fall under the jurisdiction of the Reorganization Court, in the constituent general meeting the Articles of Incorporation shall not be altered against the effect of the plan and the liability of promoters provided for in Article 194 (Liability of Promoters in cases where Corporation does not come into Existence) of the same Code shall be assumed by the corporation.

4. If, in the case mentioned in the first paragraph, the reorganization creditors, the secured reorganization creditors or the shareholders are caused to subscribe for shares ~~with~~ without making newly the payment thereon or the investment in kind or to subscribe for debentures without making newly the payment thereon, those persons having claim or right shall become shareholders or debenture holders at the time of coming into existence of the new corporation.

5. If, in the case mentioned in the first paragraph, the reorganization creditors, the secured reorganization creditors or the shareholders are caused to subscribe for ~~the~~ shares with making newly the payment thereon or the investment in kind, in respect of shares not subscribed for, out of shares to be issued to those persons, the number of such shares may be deducted from the total number of shares to be issued at the time of incorporation of the new corporation, without applications for such shares being invited, unless the provision of Article 166 paragraph 2 of the Commercial Code is violated.

Article 262 paragraph 3,

6. The provisions of Article 260 paragraphs 1, 2 and 4, Article 263 paragraphs 5 and 6, Article 264 paragraphs 3 to 5 and Article 265 shall apply mutatis mutandis to the case mentioned in the preceding five paragraphs.

7. In the case mentioned in the first paragraph, besides the documents mentioned in paragraph 4 of the preceding Article, the document proving application for and taking of shares, the report of investigation of directors and auditors and annexed document thereto, the minutes of the constituent general meeting and such certificate as to the deposit of the money paid as has been delivered by a bank or a trust company dealing with matters relating to payments on shares, shall be annexed to a written request of or a written application for the registration of incorporation of the new corporation.

(Exceptions to Provisions of Commercial Code etc. in respect of Dissolution)

Article 269. If the dissolution of the corporation by any of the events other than amalga-



mation is determined in a reorganization plan in accordance with the provisions of Article 235, the corporation shall be dissolved at the time determined in the plan.

2. In the case mentioned in the preceding paragraph, a copy or extract of a written ruling in approval of the plan shall be annexed to a written application for the registration of dissolution.

(Loss of Right of New Shareholders, etc.)

Article 270. If the reorganization creditors, the secured reorganization creditors or the shareholders have become newly shareholders or debenture holders of the corporation or a new corporation in accordance with the provisions of Article 262 paragraph 1, Article 264 paragraph 1, Article 266 paragraphs 2 and 6, Article 267 paragraph 2 and Article 268 paragraph 4, the corporation or the new corporation shall give, without delay, public notice to the effect that such persons shall request the delivery of share certificates or debenture certificates and that if they do not request it within three years after they have become shareholders or debenture holders, they shall lose the right to request it, to them and shall inform separately the known persons having such right of the above-mentioned effect, excepting the case where share certificates have been submitted in accordance with the provisions of Article 262 paragraph 3 (including cases to which the application of that paragraph mutatis mutandis is provided for in Article 267 paragraph 3 and Article 268 paragraph 6) or Article 416 paragraph 3 of the Commercial Code.

2. In cases where the persons who were shareholders or debenture holders make the request mentioned in the preceding paragraph, they shall submit the former share certificates or debenture certificates to the corporation or the new corporation.
3. The former share certificates or debenture certificates may be made null and void in accordance with public summons procedure. In this case, the provision of the preceding paragraph shall not apply to the person who has obtained judgment of nullification.
4. If the shareholders or the debenture holders provided for in the first paragraph do not request the delivery of share certificates or debenture certificates within the period of time mentioned in the same paragraph in spite of the fact that the corporation or the new corporation has given the public notice mentioned in the same paragraph, they shall lose the right to request it.
5. If any shareholder has lost the right to request in accordance with the provisions of the preceding paragraph, the corporation or the new corporation may acquire its own shares, notwithstanding the provisions of Article 210 (Prohibition of Acquisition of its Own Shares).



Shares) of the Commercial Code. In this case, the corporation or the new corporation shall dispose of such shares within a reasonable period.

Article 271. If, in cases<sup>where</sup> where those who were shareholders or debenture holders cannot submit the former share certificates or debenture certificates within the period of time mentioned in the first paragraph of the preceding Article, such persons make request within the same period of time and there are no other persons who do so within the same period of time, the corporation or the new corporation may deliver share certificates or debenture certificates to such requesting persons, notwithstanding the provisions of the same Article.

(Transfer of Right to Take Shares, etc.)

Article 272. If the reorganization creditors, the secured reorganization creditors or the shareholders have the right to take the shares or the debentures of the corporation <sup>in</sup> or the new corporation/accordance with the provisions of a reorganization plan, they may transfer it to others.

(Exception to Provisions of Law concerning Prohibition of Private Monopolization and Methods of Preserving Fair Trade)

Article 273. In cases where the reorganization creditors, the secured reorganization creditors or the shareholders acquire shares of the corporation or the new corporation in accordance with the provisions of a reorganization plan, such acquisition shall be deemed acquisition as a result of the receipt of payment in kind in respect of the application of the provisions of Article 11 (Restriction of Holding of Shares by Company whose Business is Financial) of the Law concerning the Prohibition of Private Monopolization and the Methods of Preserving Fair Trade (Law No. 54 of 1947).

(Exception to Provisions of Securities and Exchanges Law)

Article 274. In cases where shares or debentures are issued by the corporation or the new corporation to the reorganization creditors, the secured reorganization creditors or the shareholders in accordance with the provisions of a reorganization plan, the provisions of Article 4 paragraph 1 (Filing in respect of Issuance or Sale by Public Offering of Securities) of the Securities and Exchanges Law (Law No. 25 of 1948) shall not apply.

(Exception to Restriction of Disposal in respect of Foundation)

Article 275. In cases where the property of the corporation is disposed of in accordance with provisions of a reorganization plan, the provisions of laws / <sup>and</sup> ordinances in respect of



the restriction of disposal of a factory foundation or other foundations or of the property belonging to a foundation shall not apply.

(Succession to Right under Permission, Approval, etc.)

Article 276. If the transfer to the new corporation of the right and the duty under permission, approval, licence or other disposals obtained by the corporation from administrative offices is determined in a reorganization plan, the new corporation shall succeed to such right and duty, notwithstanding the provisions of other laws and ordinances.

(Exceptions to Corporation Tax Law, etc.)

Article 277. If the succession by the new corporation to the debt of tax of the corporation is determined in a reorganization plan, the new corporation shall be liable to pay such tax and the debt of tax of the corporation shall be extinguished.

2. If a ruling of the institution of reorganization proceedings has been rendered, the business year of the corporation shall end at the time when such proceedings have been instituted and the following business year shall end at the time when a plan has been approved or on the day when reorganization proceedings have ended. However, this shall not preclude the application of the provision of Article 7 paragraph 3 (Cases where Period of Time of Business Year exceeds One Year) of the Corporation Tax Law (Law No. 28 of 1947).
3. Out of the profits due to the revaluation of the property of the corporation and the ~~extinction~~ extinguishment of the debt thereof under reorganization proceedings, the amount not exceeding the total of the amount of corporation taxes (excluding the amount of interest taxes) of business years up to the time of the institution of the reorganization proceedings and the amount of the losses before the institution of such proceedings carried forward to the time of the institution of such proceedings (excluding losses to which the provision of Article 9 paragraph 5 (Inclusion of Losses Carried Forward in Losses in Cases where Blue Return is Filed) of the Corporation Tax Law is applied) minus the total of the amount of the reserve fund provided for in Article 16 paragraph 1 (Amount of Reserve Fund) of the Corporation Tax Law and the amount of reserve money for corporation tax (excluding the amount of interest tax and the amount of delinquent additional tax) at the time of the institution of such proceedings, shall not be included in the profits for the computation of income for each business year in which the property of the corporation concerned was revalued or the debt thereof concerned was extinguished, under the Corporation Tax Law.



4. The provisions of Article 19 (Intermediate Filing) of the Corporation Tax Law and Article 36 (Approximate Payment of or Payment by Approximate Self-Assessment of the Value Added Tax of Juridical Person) of the Local Tax Law shall not apply to the corporation tax and the value added tax for the business year of the corporation following the time of the institution of reorganization proceedings.
5. The tax for registration (torokuzei) shall not be imposed on the registration (toki) effected in accordance with the provisions of Article 17 paragraphs 1 and 2 and the former part ~~kin~~ paragraph 3, Article 18 paragraph 1, Article 19, Article 20 paragraphs 2 to 4 and Article 21 (including cases to which the application of those provisions mutatis mutandis is provided for in Article 22).
6. In cases where the incorporation of a new corporation by any of the events other than amalgamation is determined in a plan, the amount of the tax for registration in respect of the amount of the part of stated capital for which shares are issued without causing the reorganization creditors, the secured reorganization creditors or the shareholders to make newly the payment thereon or the investment in kind shall be 0.15% of the amount of such part, notwithstanding the provisions of Article 6 (Tax Rate for Registration of Juristic Person which has for its Object Acquisition of Gain) of the Registration Tax Law (Law No. 27 of 1896) and in cases where the acquisition of right by the new corporation in respect of the immovables or the ships of the corporation is determined in a plan, the amount of the tax for registration (torokuzei) thereof shall be 0.4% of the value of such immovables or ships, notwithstanding the provisions of Articles 2 (Tax Rate for Registration of Immovables) and 3 (Tax Rate for Registration of Ships) of the same Law, However, if the amount of the tax for registration computed in accordance with the provisions of the same Law is less than those amount, such amount shall be the amount of the tax for registration thereof.

(Retiring Allowance)

Article 278. Those of the corporation's directors, representing directors, auditors or employees who have become in succession directors, representing directors, auditors or employees of the new corporation shall not receive retiring allowance on the ground that they have retired from the corporation, after the institution of reorganization proceedings.

2. The term of office of those persons provided for in the preceding paragraph in the corporation after the institution of the reorganization proceedings shall be deemed to be the term of office in the new corporation in computation of retiring allowance.



(Alteration of Reorganization Plan)

Article 279. If the necessity of altering the matters determined in a reorganization plan arises due to unavoidable circumstances after a ruling in approval of the plan has been rendered, the Court may, on application of the trustee, the examiner, the reorganization manager, the corporation, or the reorganization creditor, secured reorganization creditor or shareholder who has made filing, alter the plan only before the end of the reorganization proceedings.

2. In cases where an application for such alteration of a plan as deemed to have a disadvantageous effect upon the reorganization creditors, the secured reorganization creditors or the shareholders has been made in accordance with the provision of the preceding paragraph, the provisions in respect of proceedings in cases where a draft of reorganization plan has been submitted shall apply mutatis mutandis thereto. However, it need not cause the persons having claim or right upon whom the alteration of the plan does not have have a disadvantageous effect to take part in the proceedings and of the persons who have consented to the former draft of the plan, those who have not attended the meeting of persons interested for the resolution of the amended draft of plan shall be deemed to have consented to such amended draft.
3. The provisions of Articles 244 and 245 shall apply mutatis mutandis in cases where a ruling in approval of the alteration of a plan has been rendered.

(Termination of Reorganization Proceedings)

Article 280. If a reorganization plan has been carried out or the Court is satisfied that the plan will be carried out, it shall, on application of the trustee, the corporation if there is no trustee, or the reorganization manager, or of its own motion, render a ruling of the termination of the reorganization proceedings and the text and the gist of the reasons thereof shall be noticed publicly. However, the service thereof is not required.

2. The provision of Article 35 paragraph 1 shall apply mutatis mutandis in cases where the ruling mentioned in the preceding paragraph has been rendered.

Chapter IX Cancellation of Reorganization Proceedings

(Ex-officio Cancellation)

Article 281. In the following cases, the Court shall render a ruling of the cancellation of



reorganization proceedings, of its own motion:

- (1) In cases where a reorganization plan is not submitted within the period of time fixed by the Court or the extended period of time or all the drafts of plan submitted within such period of time are not sufficient for the examination or the resolution of a meeting of persons interested;
- (2) In cases where a draft of plan has been rejected, or has not been adopted within two months as from the date of the first meeting of persons interested for the resolution thereof or the extended period of time.

(Cancellation by Application)

Article 282. If it has become clear that the corporation can pay debt to all the reorganization creditors and secured reorganization creditors who have made filing within the period of time for filing in full, the Court shall render a ruling of the cancellation of reorganization proceedings, on application of the trustee, the corporation or the reorganization creditor or secured reorganization creditor who has made filing.

2. The applicant shall render credible the fact which is the cause of the cancellation of reorganization proceedings provided for in the preceding paragraph.

Article 283. If the application mentioned in the preceding Article has been made, the Court shall despatch notice to that effect and to the effect that if they have opinion thereon, they shall report it to the Court, to the corporation and the reorganization creditors and secured reorganization creditors who have made filing and the documents relating to the application shall be kept thereat for the inspection of persons interested.

Article 284. The Court may not render a ruling of the cancellation of reorganization proceedings unless not less than one month has elapsed since the despatch of the notice mentioned in the preceding Article.

(Cancellation after Approval of Reorganization Plan)

Article 285. If it has become clear that there is no prospect of carrying out of a reorganization plan after a ruling in approval of the plan has been rendered, the Court shall render a ruling of the cancellation of the reorganization proceedings on application of the trustee, the corporation if there is no trustee or the reorganization manager, or its own motion.

Article 286. The Court shall hear the opinion of persons interested with opening the meeting,



before rendering the ruling mentioned in the preceding Article.

2. A ruling fixing the date of the meeting mentioned in the preceding paragraph shall be noticed publicly and such ruling shall be served on the known persons of those having claim or right recognized to continue to exist by a reorganization plan on the basis of the settled reorganization claims or rights for security in the reorganization.

Article 287. The cancellation of reorganization proceedings under the provisions of Article 285 shall not affect effects arising by the carrying out of the reorganization plan and the provisions of this Law.

(Public Notice of Ruling of Cancellation)

Article 288. If the Court has rendered a ruling of the cancellation of reorganization proceedings, the text and the gist of the reasons thereof shall be noticed publicly. However, the service thereof is not required.

(Complaint)

Article 289. The provisions of Article 245 paragraphs 1 and 2 shall apply mutatis mutandis to a complaint against a ruling of the cancellation of reorganization proceedings and a complaint under the provisions of Article 419-(2) of the Code of Civil Procedure applied mutatis mutandis by Article 8.

2. The provision of Article 35 paragraph 1 shall apply mutatis mutandis in cases where a ruling of the cancellation of reorganization proceedings has become irrevocable.

(Performance of Common Benefit Obligations)

Article 290. If a ruling of the cancellation of reorganization proceedings has become irrevocable, the trustee, the corporation if there is no trustee or the reorganization manager shall perform the common benefit obligations or make deposit for the benefit of the creditors with regard to those against which an objection has been raised, excluding cases where the judgment of bankruptcy or the approval of application for composition shall be made in accordance with the provisions of Article 23 paragraph 1 or Article 27.

(Effect of Entry in List of Reorganization Creditors, etc.)

Article 291. If a ruling of the cancellation of reorganization proceedings under the provisions of Article 281 or 282 has become irrevocable, in respect of the settled reorganization



claims or rights for security in the reorganization, the entry in the list of reorganization creditors or that of secured reorganization creditors shall have the same effect as a final and binding judgement in regard to the corporation. However, if there is the trustee or the examiner who investigates reorganization claims and rights for security in the reorganization, this shall be limited to only the case where the corporation has not raised objection to such claims or rights at the date of investigation of reorganization claims and rights for security in the reorganization.

2. Reorganization creditors or secured reorganization creditors may make compulsory execution against the corporation in accordance with the list of reorganization creditors or that of secured reorganization creditors after the end of reorganization proceedings.
3. The provision of Article 253 paragraph 3 shall apply mutatis mutandis to the case mentioned in the preceding paragraph.

Article 292. The provisions of Article 253 paragraphs 2 and 3 shall apply mutatis mutandis in cases where a ruling of the cancellation of reorganization proceedings under the provisions of Article 285 has become irrevocable.

#### Chapter X Remuneration and Reward Money

(Remuneration of Trustee, etc.)

Article 293. The inspecting commissioner, the trustee, the examiner and the reorganization manager may receive the expenses in advance and the remuneration fixed by the Court. The same shall apply to the consulting lawyer and the acting trustee appointed by the trustee or the corporation.

2. The amount of the remuneration provided for in the preceding paragraph shall be suitable for their duties and responsibilities.

Article 294. If the persons mentioned in the preceding Article have acquired by transfer or transferred claim to or shares of the corporation or the new corporation without the permission of the Court after they had acquired their qualification, they may not receive the payment of expenses and remuneration.

(Reward Money, etc. of Committee, etc.)

Article 295. If the service of the reorganization creditors, the secured reorganization



creditors, the shareholders or any committee, or their representative contributed to the reorganization, the Court may permit to reimburse the expenses within the reasonable limits or give reward money to these persons, from the property of the corporation. The amount thereof shall be fixed by the Court.

Article 296. If there is a fact that any reorganization creditor, any secured reorganization creditor or any shareholder has got benefit by acquiring by transfer or transferring, claim to or shares of the corporation or the new corporation after the institution of reorganization proceedings, the Court shall consider such fact in making the permission mentioned in the preceding Article. The same shall apply in cases where there is a fact that any agent or its representative has got benefit by acquiring by transfer or transferring, claim to or shares of the corporation or the new corporation after they had acquired their qualification.

(Complaint)

Article 297. Immediate complaint may be raised against the ruling rendered in accordance with the provisions of Articles 293 and 295.

#### Chapter XI Penal Provisions

(Offence of Fraudulent Reorganization)

Article 298. If any director of the corporation or any person corresponding to him or any manager of it does any of the following acts for the purpose of benefiting himself or other person or injuring creditors, persons having the special preferential right, the pledge, the hypothec or the right of retention under the Commercial Code over the property of the corporation (hereinafter in this Article referred to as "secured creditors") or shareholders, whether before or after reorganization proceedings have been instituted and a ruling of the institution of the reorganization proceedings has become irrevocable in respect of the corporation, he shall be liable to imprisonment with hard labor for a term not exceeding ten years or a fine not exceeding five hundred thousand yen:

- (1) To conceal, destroy or dispose of, disadvantageously to creditors, secured creditors or shareholders, any property of the corporation;
- (2) To increase falsely the charge of the corporation;
- (3) Not to prepare trade books which are to be prepared in accordance with the provisions of law, not to make an entry therein by which the present condition of property



is to be known, to make a false entry therein or to conceal or destroy it.

2. The provision of the preceding paragraph shall not apply in cases which fall under any of Articles of the Criminal Code (Law No. 45 of 1907).

(Offence of Fraudulent Reorganization of Third Person)

Article 299. If any person other than those provided for in the preceding Article does any of the acts provided for in the same Article or any person exercises the false right as a reorganization creditor, secured reorganization creditor or shareholder for the purpose of benefiting himself or other person and a ruling of the institution of reorganization proceedings has become irrevocable in respect of the corporation, he shall be liable to imprisonment with hard labor for a term not exceeding ten years or a fine not exceeding five hundred thousand yen.

2. The provision of the preceding paragraph shall not apply in cases which fall under any of Articles of the Criminal Code.

(Offence of Receiving Bribe)

Article 300. If any inspecting commissioner, any trustee, any examiner, any reorganization manager, any consulting lawyer or any acting trustee receives, demands or agrees to receive bribe in respect of his duties, he shall be liable to imprisonment with hard labor for a term not exceeding three years or a fine not exceeding two hundred thousand yen. The same shall apply in cases where any reorganization creditor, any secured reorganization creditor, any shareholder, any agent, any representative of those persons, or any officer or other employee receives, demands or agrees to receive bribe in respect of the resolution of a meeting of persons interested.

2. If, in cases where the trustee is a juristic person, its officer or other employee assuming the duties of the trustee, receives, demands or agrees to receive bribe in respect of his duties, he shall be liable to imprisonment with hard labor for a term not exceeding three years or a fine not exceeding two hundred thousand yen. If, in cases where the trustee is a juristic person, its officer or other employee causes the trustee to receive, demand or agree to receive bribe in respect of the duties of the trustee, the same shall apply.

3. Any bribe received by the offender or the trustee which is a juristic person shall be confiscated. If the confiscation thereof is impracticable in whole or in part, the value of such bribe shall be imposed.



(Offence of Giving Bribe)

Article 301. Any person who gives, offers or agrees to give bribe provided for in paragraph 1 or 2 of the preceding Article shall be liable to imprisonment with hard labor for a term not exceeding three years or a fine not exceeding two hundred thousand yen.

(Offence of Refusal of Report and Investigation)

Article 302. If the person mentioned in Article 41 paragraph 1 refuses report or investigation in accordance with the provisions of the same Article or submits any false report (including cases to which the application of the same Article mutatis mutandis is provided for in <sup>Article</sup> 101, Article 192 paragraph 1 and Article 255 paragraph 4), he shall be liable to imprisonment with hard labor for a term not exceeding one year or a fine not exceeding fifty thousand yen.

(Cases where Administrative Fine is Imposed)

Article 303. Any director or any person corresponding to him, or any manager of the corporation in respect of which reorganization proceedings have been instituted or the new corporation shall be liable to an administrative fine not exceeding three hundred thousand yen in any of the following cases:

- (1) If he does not submit a copy of an inventory and a balance sheet to be submitted in accordance with the provisions of Article 179 or 183 or submits a copy of a false inventory or balance sheet;
- (2) If he does not make report to be made in accordance with the provisions of Article 181, Article 182 paragraph 2 or Article 183 or submits any false report;
- (3) If he contravenes the order of the Court under the provisions of Article 256 paragraph 1 or 2;
- (4) If, in contravention of the provision of Article 270 paragraph 5, he neglects to dispose of shares.

2. In cases where any reorganization creditor, any secured reorganization creditor, any shareholder or any person who bears obligation or offers security for the reorganization has done the act mentioned in item (3) of the preceding paragraph, the provision of the same paragraph shall apply.



Supplementary Provision :

This Law shall come into force as from January 1, 1952.



Reason

It is necessary that a kabushiki-kaisha which is in the economic extremity but which still has prospect of reconstruction is allowed to try to maintain and reorganize its enterprise by the arrangement of its debts by means of, among other things, the alteration of capital structure, accompanied by the proper adjustment of ~~with adjusting properly~~ the interests of the creditors, the shareholders and other persons interested, with the institution of reorganization proceedings under the supervision of the Court. This is the reason why this Bill is submitted.