



Nasdaq Listing Compliance

Nasdaq Listing Rule 5615 provides that a foreign private issuer may follow its home country practice in lieu of the requirements of Rule 5600, provided that such foreign private issuer discloses in its annual reports filed with the Securities and Exchange Commission or on its website each requirement of Rule 5600 that it does not follow and describes the home country practice followed by the issuer in lieu of such requirements.

Nasdaq Listing Rule 5605(b), Rule 5605(d) and Rule 5605(e) require that (i) a majority of our Board of Directors be independent directors as defined in Rule 5605(a)(2), (ii) independent directors have regularly scheduled meetings at which only they are present, (iii) compensation of the chief executive officer and other executive officers be determined, or recommended to the Board of Directors for determination, either by a majority of the independent directors or by a compensation committee comprised solely of independent directors, and (iv) director nominees be selected, or recommended for selection by our Board of Directors, either by a majority of the independent directors or by a nominations committee comprised solely of independent directors, in accordance with the nominations process set forth in a formal written charter or board resolution. For large Japanese companies under the Companies Act of Japan, including us, there is no independence requirement with respect to directors. The task of overseeing management and accounting firms is assigned to our board of statutory auditors, who are separate and independent from the company's management. 50% or more of our statutory auditors are required to be "outside" statutory auditors who must meet additional independence requirements under the Companies Act of Japan. An "outside" statutory auditor is defined in the Companies Act of Japan as a company auditor who had not served as a director, manager or any other employee of the company or any of its subsidiaries at any time prior to the appointment.

Nasdaq Listing Rule 5605(c) requires that (i) each issuer have adopted a formal written audit committee charter meeting the requirements of Rule 5605(c)(1) and (ii) the issuer have an audit committee of at least three members who are independent as defined under Rule 5605(a)(2), meet the independence criteria set forth in Rule 10A-3(b)(1) under the U.S. Securities Exchange Act of 1934 and satisfy certain other criteria. We employ a board of statutory auditors as described above. With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, we rely on an exemption under paragraph (c)(3) of that rule which is available to foreign private issuers with boards of company auditors meeting certain criteria.

Nasdaq Listing Rule 5620(c) provides that each issuer provide for a quorum as specified in its by-laws for any meeting of holders of common stock, which shall be at least 33 1/3% of the outstanding shares of the issuer's voting common stock. We provide for a quorum as specified in our articles of incorporation for a special resolution for resolution of material corporate actions, which shall be at least one-third of our outstanding shares of voting common stock. Also, the Companies Act of Japan requires a quorum for the election or removal of directors or statutory auditors.

Nasdaq Listing Rule 5620(b) provides that each issuer solicit proxies and provide proxy statements for all meetings of shareholders and provide copies of such proxy solicitation to Nasdaq. As a Japanese company whose shares are listed on the securities exchanges defined in the Financial Instrument and Exchange Act of Japan, we may, but are not required to, solicit proxies for meetings of shareholders. If we solicit proxies for a meeting of shareholders, we are required to provide proxy statements and documents for reference as provided for in the Financial Instrument and Exchange Act of Japan and provide copies of such proxy statements and documents for reference to the Kanto Local Finance Bureau.

Nasdaq Listing Rule 5630(a) provides that each issuer conduct appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the issuer's audit committee or another independent body of the Board of Directors. Following the requirements of the Companies Act of Japan, we require a director to obtain the approval of the Board of Directors in order for such director to accept a transfer of one of our products or any of our other assets, to transfer a product or any other asset of such director to us, to receive a loan from us, or to effect any other transaction with us, for himself or a third-party.

Nasdaq Listing Rule 5635 provides that shareholder approval be obtained prior to the issuance of designated securities under subparagraphs (a), (b), (c) or (d) of Rule 5635. Where a Japanese joint stock company (kabushiki kaisha) like us issues common shares under the Companies Act of Japan, it is necessary for the Board of Directors to determine the conditions of issuance; provided, however, that this shall not apply if the articles of incorporation provide that such conditions shall be determined by the shareholders' meeting. Currently, our articles of incorporation do not provide for any such exception. Additionally, if we issue common stock to persons other than shareholders at a specially favorable issue price, even when there are provisions related thereto in the articles of incorporation, some matters related to such issuance shall be resolved by special resolution of the shareholders' meeting.