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This English translation of the Limited Liability Partnership Act has been prepared (up to the revisions of Act No. 87 of 2005 (Effective May 1, 2006)) in compliance with the Standard Bilingual Dictionary (March 2006 edition).

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## **LIMITED LIABILITY PARTNERSHIP ACT ( ACT No. 40 of 2005 )**

### **Chapter    General Provisions**

#### **Article 1 ( Purpose )**

The purpose of this Act is to promote sound development of business activities jointly carried out by an individual or a juridical person by establishing a system regarding partnership agreements for jointly conducting business activities for profit, which agreements provide that the liability of a partner is limited to its capital contribution amount, and thereby contributing to the furtherance of the economic vitality of our country.

#### **Article 2 ( Definition )**

The term "Limited Liability Partnership" as used in this Act shall mean a partnership formed under a limited liability partnership agreement as set out in paragraph 1 of the following Article.

#### **Article 3 ( Limited Liability Partnership Agreement )**

(1) A limited liability partnership agreement ( a "Partnership Agreement" ) takes effect when it is agreed that an individual or a juridical person will make a capital contribution and each of the parties will jointly conduct profit-oriented business activities in which its maximum liability is limited to its capital contribution amount, and when each of the parties fully makes payment or delivery in relation to its own capital contribution.

(2) One or more of the parties to a Partnership Agreement must be an individual

- who has an address in Japan, or has, up to the present, resided in Japan for one (1) year or more (in Article 37, a "Resident"), or is a juridical person that has its head office or principal office in Japan (in Article 37, a "Domestic Corporation").
- (3) A Partnership Agreement may not be abused for the purpose of unjustly escaping from obligations.

#### Article 4 ( Preparation of Written Partnership Agreement )

- (1) Persons who intend to execute a Partnership Agreement shall prepare a written contract of the Partnership Agreement (a "Written Partnership Agreement"), and all of the parties shall either sign their names on or affix their names and seals to the Written Partnership Agreement.
- (2) A Written Partnership Agreement may be prepared in the form of Electromagnetic Records ("Electromagnetic Records" means a record that is prepared by means of an electronic method, a magnetic method or any other method not perceivable by human senses and that is used for information processing by computers, as provided by Ordinance of the Ministry of Economy, Trade and Industry; hereinafter the same shall apply in this paragraph and in Article 31). In this case, with respect to the information recorded in such Electromagnetic Records, the parties shall take such measures, in lieu of signatures or names with seals, as provided by Ordinance of the Ministry of Economy, Trade and Industry.
- (3) The matters listed below must be stipulated or recorded in the Written Partnership Agreement:
- ( i ) The businesses of the Limited Liability Partnership (the "Partnership");
  - ( ii ) The name of the Partnership;
  - ( iii ) The district in which the office of the Partnership is located;
  - ( iv ) The names, or corporate names, and the addresses of the partners;
  - ( v ) The date on which the Partnership Agreement takes effect;
  - ( vi ) The duration of the Partnership;
  - ( vii ) The object and amount of the partner s capital contributions; and
  - ( viii ) The business year of the Partnership.
- (4) The period of the business year of the Partnership as set out in item (viii) of the preceding paragraph shall not exceed one (1) year.
- (5) In addition to the matters listed in each item of paragraph 3 of this Article, any matter may be stipulated or recorded in the Written Partnership Agreement unless they are in violation of the terms of this Act.

#### Article 5 ( Modification of Partnership Agreement )

- (1) The consent of all partners is required to make any modification (except for

modification to the matters listed in item (iv) of paragraph 3 of Article 4 due to withdrawal pursuant to Article 25 or Article 26) to the Partnership Agreement in relation to the matters that must be stipulated or recorded in the Written Partnership Agreement (except for the matter listed in item (v) of paragraph 3 of Article 4).

- (2) Notwithstanding the preceding paragraph, a Written Partnership Agreement may provide that the consent of all partners is not required to make any modification to the Partnership Agreement with respect to the matters listed in item (iii) or (viii) of paragraph 3 of Article 4 or the matters stipulated or recorded pursuant to paragraph 5 of Article 4 (except, if the Written Partnership Agreement provides for a proportion in relation to sharing of profits and losses to the partners as set out in Article 33, the matters concerning such proportion).
- (3) If any modification has occurred to the matters stipulated or recorded in a Written Partnership Agreement, such modification shall be without delay made to the stipulation or record set out in the Written Partnership Agreement.

#### Article 6 ( Notices or Peremptory Notices to Partnership )

It is sufficient that a notice or peremptory notice to be made to a Partnership is addressed to the location of an office of the Partnership or to the address of a partner (and if a partner is a juridical person, then a person appointed pursuant to paragraph 1 of Article 19 who is to perform the duties of such partner).

#### Article 7 ( Restrictions on Businesses of the Partnership )

- (1) Partners may not manage the following businesses as the Partnership's businesses:
  - (i) Businesses, as provided by Cabinet Order, that by their nature are not proper for the maximum liability of a partner to be limited to its capital contribution amount; and
  - (ii) Businesses, as provided by Cabinet Order, that might cause unjustifiable damage to a creditor of a Partnership.
- (2) Partners may not ratify businesses conducted in violation of the provision of the preceding paragraph.

#### Article 8 ( Registration )

- (1) Matters required to be registered pursuant to this Act may not be asserted against a third party without knowledge until after registration. Even after the registration, the same shall apply in cases where a third party was unaware of such matters being registered for a justifiable reason.
- (2) A person who through willful misconduct or negligence has made a false registration on a matter may not assert against a third party without knowledge

that the matter is false.

Article 9 ( Name )

- (1) A Partnership shall include in its name the phrase "Limited Liability Partnership."
- (2) An entity which is not a Partnership may not include in its name the phrase "Limited Liability Partnership."
- (3) Article 8 of the Companies Act (Law No. 86 of 2005) applies *mutatis mutandis* with respect to the name of a Partnership.

Article 10 ( Commercial Transactions )

The acts conducted by the partners as the Partnership's businesses shall be considered as commercial transactions.

## **CHAPTER II RIGHTS AND OBLIGATIONS OF PARTNERS**

Article 11 ( Capital Contribution by Partners )

A Partner's capital contribution to the Partnership shall be made only in the form of cash or other properties.

Article 12 ( Decision on Management of the Partnership )

- (1) In order to decide management of the Partnership's businesses, the consent of all partners is required; provided, however, that the Written Partnership Agreement may provide that the consent of all partners is not required to decide matters other than the following matters:
  - ( i ) Disposition or acceptance of any material property; and
  - ( ii ) Borrowing in a significant amount.
- (2) Notwithstanding the preceding paragraph, the Written Partnership Agreement may provide that the consent of all partners is not required to decide the matters set out in each item of paragraph 1 of this Article as provided by Ordinance of the Ministry of Economy, Trade and Industry; provided, however, that such decisions require the consent of not less than two-thirds of all partners.

Article 13 ( Management of the Partnership )

- (1) A partner has the right and the obligation to manage the Partnership's businesses in accordance with the decisions made pursuant to the preceding Article.
- (2) A partner may delegate only a part of the management of the Partnership's businesses.
- (3) Restrictions on the right of a partner to manage the Partnership's businesses

may not be asserted against a third party without knowledge.

#### Article 14 ( Ordinary Business )

Each partner may manage ordinary business of the Partnership in its sole discretion notwithstanding the preceding two Articles; provided, however, that this does not apply where any other partner objects to such act of the partner before its completion.

#### Article 15 ( Liability of Partners )

A partner is liable for the Partnership's obligations only to the extent of its capital contribution amount.

#### Article 16 ( Responsibility of Partners for Contribution )

In cases where a partner has contributed a claim in kind, if the debtor of such claim fails to make the repayment at the time for the performance of the obligation, such partner will be liable for the repayment. In this case, the partner is also liable for damages in addition to the payment of interest.

#### Article 17 ( Liability for Damages relating to the Partnership's Business )

If a third party suffers damages in connection with the Partnership's businesses, the partners shall compensate for such damages by using the assets of the Partnership.

#### Article 18 ( Liability of Partners or Similar Persons for Damages to Third Parties )

- (1) If a partner or a person appointed pursuant to paragraph 1 of the following Article who is to perform the duties of a partner (such a partner or person in this Article, a "Partner or Similar Person") has performed his or her duties with knowledge or with gross negligence, such Partner or Similar Person will be liable for damages suffered by a third party arising therefrom.
- (2) In cases under the preceding paragraph, if any other Partner or Similar Person is liable for such damages, such other Partners and Similar Persons will be joint and several obligors.

#### Article 19 ( Special Provisions where a Corporation is a Partner )

- (1) If a juridical person is a partner, that juridical person shall appoint a person who is to perform the duties as the partner and give notice to other partners of the name and address of that person.
- (2) Article 671 of the Civil Code (Law No. 89 of 1896) applies *mutatis mutandis* with respect to the person appointed pursuant to the preceding paragraph who is to perform the duties of a partner.

Article 20 ( Obligations to Separately Manage Partnership Assets )

The partners shall manage the assets of a Partnership separately from their own assets and the assets of other Partnerships.

Article 21 ( Limitations on Persons who may Perform Compulsory Execution, Etc. )

(1) If a party designated in a title of obligation, an order of provisional attachment or an order of provisional disposition is a Partnership, then compulsory execution, or provisional attachment or provisional disposition, may be effected against or on behalf of the following persons:

- ( i ) a partner of such Partnership;
  - ( ii ) a successor to a person referred to in the preceding item after accrual of the title of obligation (in cases of the title of obligation referred to in item (i), (ii) or (vi) of Article 22 of the Civil Execution Act (Law No. 4 of 1979), a successor after the conclusion of oral proceedings).
- (2) Compulsory execution by virtue of the title of obligation set out in the preceding paragraph may be effected against any person who possesses the subject matter of the claim on behalf of a person referred to in each item of the preceding paragraph.

Article 22 ( No Compulsory Execution, Etc. on Partnership Assets )

- (1) No compulsory execution, provisional attachment or provisional disposition may be effected against the assets of a Partnership, nor may the assets of a Partnership be publicly auctioned except under a right arising from the cause prior to such assets becoming assets of a Partnership or a right arising in connection with the Partnership's businesses.
- (2) The partners may make their objections to compulsory execution, provisional attachment, provisional disposition or public auction that has been effected in violation of the preceding paragraph.
- (3) Article 38 of the Civil Execution Act and Article 45 of the Civil Provisional Relief Law (Law No. 91 of 1989) apply *mutatis mutandis* with respect to the objections pursuant to the preceding paragraph.. In this case, the term "a third party who has ownership of the subject matter of the compulsory execution or any other rights preventing the transfer or delivery of such subject matter" mentioned in paragraph 1 of Article 38 of the Civil Execution Act shall be deemed to be replaced with "a partner of a limited liability partnership," and the term "the third party" mentioned in paragraph 2 of the same Article shall be deemed to be replaced with "a partner of a limited liability partnership."

Article 23 ( Deputy Acting on behalf of a Partner )

- (1) A deputy who is appointed by an order of provisional disposition and who is acting on behalf of a partner to perform the duties of the partner shall obtain, unless otherwise provided for in the order of provisional disposition, the permission of the court in order to perform any acts that are not part of the ordinary business of the Partnership.
- (2) Any actions taken by a deputy acting on behalf of a partner in violation of the preceding paragraph will be invalid; provided, however, that the partner may not assert any such invalidity of such actions against a third party without knowledge.
- (3) Paragraph 1 of Article 868, Article 869, Article 871, Article 874 (limited to the portions relating to item (iv)), Article 875 and Article 876 of the Companies Act apply *mutatis mutandis* to the permission of the court as set out in paragraph 1. In this case, all necessary technical replacements of terms shall be provided by Cabinet Order.

### CHAPTER III ADMISSION AND WITHDRAWAL OF PARTNERS

#### Article 24 ( Admission of Partners )

- (1) The partners may admit new partners to a Partnership.
- (2) If a person who intends to be a new partner fails to make all or part of payment or delivery of its capital contribution when a Partnership Agreement is modified in relation to the admission, such person will become a partner when such person completes payment or delivery of its capital contribution.

#### Article 25 ( Voluntary Withdrawal )

No partner may withdraw from a Partnership except in unavoidable circumstances, unless otherwise provided for in the Written Partnership Agreement.

#### Article 26 ( Statutory Withdrawal )

In addition to the cases set out in the preceding Article, a partner shall withdraw from the Partnership due to any of the following events:

- ( i ) Death;
- ( ii ) Receipt of a declaring of the commencement of bankruptcy procedures;
- ( iii ) Receipt of a ruling of the commencement of guardianship; or
- ( iv ) Expulsion.

#### Article 27 ( Expulsion )

- (1) Expulsion of a partner may be effected with the unanimous consent of the other partners only with justifiable cause including, without limitation, the cause that such partner fails to perform its duties; provided, however, that the Written

Partnership Agreement may provide that the unanimous consent of the other partners is not required.

- (2) In cases under the preceding paragraph, if no notice of expulsion has been given to an expelled partner, expulsion of such partner may not be asserted against such partner.

#### **CHAPTER IV SETTLEMENT OF ACCOUNTS, ETC.**

##### **Article 28 ( Accounting Principles )**

The accounting of the Partnership shall be governed by generally accepted corporate accounting practices as well as this Act and the Ordinances of the Ministry of Economy, Trade and Industry made under this Act.

##### **Article 29 ( Preparation and Preservation of Accounting Books )**

- (1) The partners shall prepare accounting books of a Partnership as provided by Ordinance of the Ministry of Economy, Trade and Industry.
- (2) The accounting books of a Partnership set out in the preceding paragraph shall include the amount of capital contribution made by each partner and other matters as provided by Ordinance of the Ministry of Economy, Trade and Industry.
- (3) The partners who have prepared accounting books of a Partnership shall deliver a copy of such accounting books to each partner as provided by Ordinance of the Ministry of Economy, Trade and Industry.
- (4) The partners shall preserve accounting books of a Partnership and material documents regarding the Partnership's business for ten (10) years from the closing of such accounting books as provided by Ordinance of the Ministry of Economy, Trade and Industry.

##### **Article 30 ( Order of Submission of Accounting Books )**

A court may, upon motion or on its own authorization, order a party to a lawsuit to submit all or part of the accounting books of a Partnership.

##### **Article 31 ( Keeping and Inspection, Etc., of Financial Statements )**

- (1) The partners shall prepare balance sheet of a Partnership as of the date of formation of the Partnership promptly after the formation of the Partnership as provided by Ordinance of the Ministry of Economy, Trade and Industry.
- (2) The partners shall, within two (2) months from the end of each business year, prepare balance sheet, profit and loss statement and their detailed statements of a Partnership for the relevant business year as provided by Ordinance of the Ministry of Economy, Trade and Industry.



- (3) Balance sheets and profit and loss statements, as well as their detailed statements to be prepared pursuant to the preceding two paragraphs (the "Financial Statements"), may be prepared in the form of Electromagnetic Records.
- (4) The partners shall keep the Financial Statements at the principal office for ten (10) years from the preparation thereof.
- (5) In cases under the preceding paragraph, the partners shall keep a copy of the Written Partnership Agreement as well.
- (6) A creditor of a Partnership may make the following demands with respect to the Financial Statements (limited to those within five (5) years from the preparation thereof) and the Written Partnership Agreement at any time during business hours of the Partnership:
  - (i) if the Financial Statements and the Written Partnership Agreement have been prepared in paper form, a demand for the inspection or copying of such paper document; and
  - (ii) if the Financial Statements and the Written Partnership Agreement have been prepared in the form of an Electromagnetic Records, a demand for the inspection or copying of the matters recorded in such Electromagnetic Records, as presented in the manner provided by Ordinance of the Ministry of Economy, Trade and Industry.

#### Article 32 ( Order of Submission of Financial Statements )

A court may, upon motion or on its own authorization, order a party to a lawsuit to submit all or part of its Financial Statements.

#### Article 33 ( Partners' Proportion of Sharing of Profits and Losses )

Sharing of profits and losses to the partners shall, with the consent of all Partners, be determined in proportion to the amount of capital contributions made by each partner as indicated in the accounting books, unless otherwise provided for in accordance with Ordinance of the Ministry of Economy, Trade and Industry.

#### Article 34 ( Restrictions on Distribution of Assets )

- (1) The assets of a Partnership may not be distributed in an amount exceeding the Distributable Amount (meaning an amount calculated as an amount distributable to the partners within the amount of the net assets in the manner provided by Ordinance of the Ministry of Economy, Trade and Industry; hereinafter the same shall apply in the following Article) as of the date of distribution.
- (2) The consent of all partners is required to distribute the assets of a Partnership in an amount exceeding the amount calculated as an amount equal to surplus of a Partnership as of the date of distribution in the manner provided by Ordinance of the Ministry of Economy, Trade and Industry.

- (3) In cases under the preceding paragraph, the partners shall stipulate the amount obtained by deducting the amount set out in the preceding paragraph from the book value of the assets of a Partnership to be distributed in the Written Partnership Agreement as provided by Ordinance of the Ministry of Economy, Trade and Industry.

Article 35 ( Liability for Distribution of Assets )

- (1) If the book value of the distributed assets of a Partnership ( in this Article and in the following Article, the "Distributed Amount") exceeds the Distributable Amount as of the date of distribution, the partners who receive such distribution will be jointly liable for payment of cash equal to the Distributed Amount to the Partnership.
- (2) In cases under the preceding paragraph, the partners who receive such distribution are jointly liable for repayment of the Partnership's obligations only to the extent of the excess of the Distributed Amount over the Distributable Amount (except for the amount that has been paid by such partners under the preceding paragraph).

Article 36 ( Liability for Loss )

- (1) In cases where the partners receive a distribution of the assets of a Partnership, if the Amount of Loss (meaning, if the amount of liabilities exceeds the amount of assets in the balance sheet, an amount obtained by deducting the amount of the assets from the amount of liabilities; hereinafter the same shall apply in this Article) arises on the last day of the business year to which the date on which the partners receive such distribution belongs, the partners who receive such distribution will be jointly liable for payment of the Amount of Loss (or, if the Amount of Loss exceeds the Distributed Amount, the Distributed Amount; hereinafter the same shall apply in the following paragraph); provided, however, that this shall not apply to cases where a partner proves that such partner did not fail to pay due care in distributing the assets of the Partnership.
- (2) If the partners are liable for payment of the Amount of Loss to the Partnership as provided by the preceding paragraph, the partners who receive such distribution will be jointly liable for repayment of the Partnership's obligations only to the extent of the Amount of Loss (except for the amount that has been paid by such partners under the preceding paragraph).

## **CHAPTER V DISSOLUTION AND LIQUIDATION OF A PARTNERSHIP**

Article 37 ( Dissolution Events )

A Partnership dissolves on the occurrence of any of the following events; provided,

however, that with respect to the events listed in item (ii) or (iii) below, this does not apply if new partners (with respect to the events listed in item (iii) below, partners who are Residents or Domestic Corporations) are admitted within two (2) weeks from the date on which such event occurred and on or before the date of the registration of dissolution:

- ( i ) achievement of its business purposes or if such achievement becomes impossible;
- ( ii ) if there being only one remaining partner;
- ( iii ) violation of paragraph 2 of Article 3;
- ( iv ) expiration of the duration of a Partnership;
- ( v ) consent of all partners; or
- ( vi ) if any event other than those listed in each of the preceding items is stipulated to be an event of dissolution in the Written Partnership Agreement, the occurrence of such event.

#### Article 38 ( Partnership in Liquidation )

A Partnership which is dissolved pursuant to the preceding Article shall be deemed to continue to exist, even after its dissolution, to the extent necessary for the purposes of its liquidation until the liquidation is concluded.

#### Article 39 ( Liquidators )

- (1) If a Partnership is dissolved, partners shall become liquidators; provided, however, that this does not apply in cases where a liquidator has been appointed by a majority vote of all partners.
- (2) If a liquidator has not been determined pursuant to the preceding paragraph, a court shall, upon the motion of any interested person, appoint a liquidator.
- (3) If a court appoints a liquidator pursuant to the preceding paragraph, the partners shall be permitted to determine the amount of compensation payable to such liquidator.

#### Article 40 ( Dismissal of Liquidators )

- (1) A liquidator (except for a liquidator appointed by the court pursuant to paragraph 2 of the preceding Article) may be dismissed at any time.
- (2) Dismissal as provided by the preceding paragraph is determined by a majority vote of all partners, unless otherwise provided for in the Written Partnership Agreement.
- (3) If any material grounds exist, the court may dismiss a liquidator upon the motion of any interested person, which includes a partner.

#### Article 41 ( Manner of Management by Liquidators )

- (1) If there are two or more liquidators, management relating to the liquidation shall be decided by a majority of such liquidators; provided, however, that each liquidator may manage ordinary business of the liquidation in its sole discretion unless any other liquidator objects to such an act of the liquidator before its completion.
- (2) The liquidator shall manage the business of the Partnership in liquidation in accordance with the decisions made as provided by the first sentence of the preceding paragraph.
- (3) Article 671 of the Civil Code applies *mutatis mutandis* to liquidators.

Article 42 ( Liability of Liquidator or Similar Person for Damages to a Third Party )

- (1) If a liquidator or a person appointed pursuant to paragraph 1 of the following Article who is to perform the duties of a liquidator (such a liquidator or person in this Article, a "Liquidator or Similar Person") has performed his or her duties with knowledge or with gross negligence, such Liquidator or Similar Person will be liable for damages suffered by a third party arising therefrom.
- (2) In cases under the preceding paragraph, if any other Liquidator or Similar Person is liable for such damages, such Liquidators and Similar Persons will be joint and several obligors.

Article 43 ( Special Provisions where a Corporation is a Liquidator )

- (1) If a juridical person is a liquidator, such juridical person shall appoint a person who is to perform the duties as the liquidator, and give notice to the partners of the name and address of such person.
- (2) Article 671 of the Civil Code applies *mutatis mutandis* with respect to the person appointed pursuant to the preceding paragraph who is to perform the duties of a liquidator.

Article 44 ( Preparation, Etc., of General Inventories )

- (1) The liquidator shall, without delay after assuming office as such, make an investigation of the current status of the assets of the Partnership in liquidation, prepare an inventory of property and balance sheet (the "General Inventories") as of the date on which the Partnership falls under any of the events referred to in each item of Article 37 as provided by Ordinance of the Ministry of Economy, Trade and Industry, and notify each partner of the details of the General Inventories.
- (2) The liquidator shall preserve the General Inventories for a period from the time at which the liquidator prepares the General Inventories to the time at which the conclusion of liquidation is registered in the district in which the principal office of the Partnership in liquidation is located.

- (3) The liquidator shall, at the demand of a partner, report monthly on the status of the liquidation.

#### Article 45 ( Order of Submission of General Inventories )

A court may, upon motion or on its own authorization, order a party to a lawsuit to submit all or part of the General Inventories.

#### Article 46 ( Public Notification, Etc., to Creditors )

- (1) A liquidator shall, without delay after assuming office as such, give a public notification in the official gazette to the effect that the creditors of the Partnership are called on to present their claims within a specified period, and give individual peremptory notices to the same effect to the creditors known to the Partnership; provided, however, that such specified period shall not be less than two (2) months.
- (2) It shall also be stated in the public notification as provided pursuant to the preceding paragraph that such creditor failing to present his or her claim within the specified period will be excluded from the liquidation.

#### Article 47 ( Restrictions on Repayment of Obligations )

- (1) A liquidator shall not make any repayment of obligations of the Partnership in liquidation within the period set out in paragraph 1 of the preceding Article. In this case, a partner of the Partnership in liquidation is not relieved from its liabilities resulting from a default in repayment of such obligation.
- (2) Notwithstanding the preceding paragraph, a liquidator may, with the permission of the court, within the period as set out in paragraph 1 of the preceding Article, make repayments of obligations in respect of claims of small amounts, claims secured by security interests created over the assets of the Partnership in liquidation or other claims that may not harm other creditors even if the obligations are to be repaid. In this case, if there are two or more liquidators, motion for the permission shall be made only upon the consent of all liquidators.

#### Article 48 ( Repayment of Obligations for Conditional Claims, Etc. )

- (1) A liquidator may make repayments of obligations in respect of a conditional claim, a claim with an indefinite duration or any other claim the amount of which is indefinite. In this case, a liquidator shall file a motion to the court for appointment of an appraiser to appraise the value of these claims.
- (2) In cases under the preceding paragraph, a liquidator shall make repayments of obligations in respect of the claims set out in the preceding paragraph in accordance with the appraisal of an appraiser mentioned in the preceding paragraph.

- (3) The expenses in connection with the procedures for appointment of an appraiser as set out in paragraph 1 shall be borne by the Partnership in liquidation. The same shall apply to the expenses in connection with calling and questioning for appraisal by the appraiser.

Article 49 ( Restrictions on Distribution of Residual Assets before Repayment of Obligations )

A liquidator may not distribute the assets of the Partnership in liquidation to its partners until after all of the obligations of the Partnership in liquidation have been repaid; provided, however, that this does not apply in cases where the liquidator sets aside assets that he or she considers necessary to repay any obligations of any claims disputed with respect to their existence and amounts.

Article 50 ( Exclusion from Liquidation )

- (1) Creditors of the Partnership in liquidation (excluding creditors known to the Partnership) who fail to present their claims within the period as specified in paragraph 1 of Article 46 shall be excluded from the liquidation.
- (2) Creditors who have been excluded from the liquidation pursuant to the preceding paragraph may only demand repayment out of the residual assets that have not yet been distributed.
- (3) If distribution of the residual assets of the Partnership in liquidation has already been made to some of the partners, the assets that are required for distribution to the other partners in equal proportion to the partners who have already received the distribution shall be deducted from the residual assets set out in the preceding paragraph.

Article 51 ( Completion of Liquidation Affairs )

- (1) When the liquidation affairs have been completed, the liquidator shall without delay make a settlement of accounts with respect to the liquidation and obtain approval from the partners.
- (2) If a partner does not make an objection to the settlement of accounts mentioned in the preceding paragraph within one (1) month, he or she shall be deemed to have approved it; provided, however, that this does not apply in cases where there has been any misconduct in connection with the execution of the duty of the liquidator.

Article 52 ( Preservation of Financial Books )

- (1) The liquidator shall preserve financial books of the Partnership in liquidation and material documents regarding the Partnership's business and liquidation ( in this Article, the "Financial Books") for ten (10) years from the registration of the

conclusion of liquidation in the district in which the principal office of the Partnership in liquidation is located.

- (2) Notwithstanding the preceding paragraph, if a person who is to preserve the Financial Books is provided for in the Written Partnership Agreement or by a majority of all partners, such person shall preserve the Financial Books for ten (10) years from the registration of the conclusion of liquidation in the district in which the principal office of the Partnership in liquidation is located.
- (3) A court may, upon the motion of any interested person, appoint a person who is to preserve the Financial Books on behalf of the liquidator mentioned in paragraph 1 or the person who preserves the Financial Books pursuant to the preceding paragraph. In this case, the two preceding paragraphs do not apply.
- (4) The person who is appointed pursuant to the preceding paragraph shall preserve the Financial Books for ten (10) years from the registration of the conclusion of liquidation in the district in which the principal office of the Partnership in liquidation is located.
- (5) The expenses in connection with the procedures for appointment as provided by paragraph 3 shall be borne by the Partnership in liquidation.

Article 53 ( *Mutatis Mutandis* Application regarding Dissolution and Liquidation )

- (1) Article 23 applies *mutatis mutandis* to cases where a deputy acting on behalf of a liquidator to perform the duties of the liquidator is appointed by an order of provisional disposition.
- (2) Paragraph 1 of Article 868, Article 869, Article 870 (limited to the portions relating to item (ii) and item (iii)), Article 871, Article 872 (limited to the portions relating to item (iv)), Article 874 (limited to the portions relating to item (i) and item (iv)), Article 875, Article 876 and paragraph 1 of Article 937 (limited to the portions relating to item (ii)(c) and item (iii)(a)) of the Companies Act apply *mutatis mutandis* to dissolution and liquidation of the Partnership. In this case, all necessary technical replacements of terms shall be provided by Cabinet Order.

Article 54 ( No Application )

The provisions of Chapter III and the preceding Chapter (excluding Article 28, paragraph 4 of Article 29, Article 30, paragraphs 4 through 6 of Article 31 and Article 32) do not apply to a Partnership in liquidation.

Article 55 ( Special Provisions of Withdrawal due to Inheritance )

In cases where a partner of the Partnership in liquidation dies, if there are two or more heirs to such partner, such heirs shall appoint one heir from among them to exercise such partner's rights in connection with the liquidation.

## CHAPTER VI *MUTATIS MUTANDIS* APPLICATION OF THE CIVIL CODE

### Article 56

Article 668, Article 669, Article 671, Article 673, paragraph 2 of Article 674, Article 676, Article 677, Article 681, Article 683, Article 684 and Article 688 of the Civil Code apply *mutatis mutandis* with respect to a Partnership.

## CHAPTER VII REGISTRATION

### Article 57 ( Registration of a Partnership Agreement's Taking Effect )

When a Partnership Agreement takes effect, the following matters shall be registered within two (2) weeks in the district in which the principal office is located and within three (3) weeks in the district in which the secondary offices are located.

- (i) The matters listed in items (i), (ii), and (iv) to (vi) inclusive of paragraph 3 of Article 4;
- (ii) The location of office of the Partnership;
- (iii) If a partner is a juridical person, the name and address of a person who is to perform the duties of the partner; and
- (iv) If any event other than those listed in items (i) to (v) inclusive of Article 37 is stipulated as an event of dissolution in the Written Partnership Agreement, such event.

### Article 58 ( Registration of Establishment of a Secondary Office )

- (1) If a secondary office is established after the registration of the Partnership Agreement taking effect, such establishment of a secondary office shall be registered in the district in which the principal office is located within two (2) weeks, the matters listed in each item of the preceding Article shall be registered in the district in which such secondary office is located within three (3) weeks and the establishment of such secondary office shall be registered in the districts in which other secondary offices are located within the same period
- (2) If a new secondary office is established in the geographical area of jurisdiction of the registration office that is in charge of the district of the principal office, or any secondary office, it is sufficient to register the fact that such new secondary office has been established.

### Article 59 ( Registration of Office Relocation )

- (1) If a Partnership relocates its principal office, the relocation shall be registered within two (2) weeks in the district in which the former office was located and the matters listed in each item of Article 57 shall be registered in the district in



which the new office is located. If a Partnership relocates a secondary office, the relocation shall be registered within three (3) weeks in the district in which the former office was located and the matters listed in each item of Article 57 shall be registered within four (4) weeks in the district in which the new office is located.

(2) If the principal office or a secondary office is only being relocated within the geographical area of jurisdiction of the same registration office, it is sufficient to just register such relocation.

#### Article 60 ( Registration of Changes )

If a change in any of the matters listed in each item of Article 57 occurs, such change shall be registered within two (2) weeks in the district in which the principal office is located and within three (3) weeks in the districts in which the secondary offices are located.

#### Article 61 ( Registration of Order of Provisional Disposition for Suspension of Business Execution, Etc. )

If a provisional disposition is ordered suspending the management of the business by a partner or appointing a person to manage business on its behalf or such a provisional disposition is changed or canceled, that fact shall be registered in the districts in which the principal office and the secondary offices are located.

#### Article 62 ( Registration of Dissolution )

If a Partnership is dissolved, the dissolution shall be registered within two (2) weeks in the district in which the principal office is located and within three (3) weeks in the districts in which the secondary offices are located.

#### Article 63 ( Registration of Liquidator )

(1) If a partner becomes a liquidator, the following matters shall be registered within two (2) weeks from the date of dissolution in the district in which the principal office is located and within three (3) weeks from the same date in the districts in which the secondary offices are located:

- (i) The name, or corporate name, and the address of the liquidator;
- (ii) If a liquidator is a juridical person, the name and address of a person who is to perform the duties of the liquidator.

(2) If a liquidator is elected, the matters referred to in each item of the preceding paragraph shall be registered within two (2) weeks in the district in which the principal office is located and within three (3) weeks in the districts in which the secondary offices are located.

(3) Article 60 applies *mutatis mutandis* to the registration pursuant to the preceding two paragraphs and Article 61 applies *mutatis mutandis* to liquidators.

Article 64 ( Registration of Conclusion of Liquidation )

Upon conclusion of the liquidation of a Partnership, the conclusion of the liquidation of the Partnership shall be registered within two (2) weeks from the date of approval as set out in Article 51 in the district in which the principal office is located and within three (3) weeks from the same date in the districts in which the secondary offices are located.

Article 65 ( Competent Registration Office and Registry )

- (1) The Legal Affairs Bureau or District Legal Affairs Bureau or a branch or sub-office there of in the district where the office of a Partnership is located shall be the competent registration office with respect to the registration of the Partnership Agreement.
- (2) A Register of limited liability partnership agreements shall be maintained in each registration office.

Article 66 ( Application for Registration )

The registrations pursuant to Articles 57 to 60 inclusive shall be made upon application by a partner and those pursuant to Articles 62 to 64 inclusive shall be made upon application by a liquidator.

Article 67 ( Attachments to Registration of Partnership Agreement's Taking Effect )

The following documents shall be attached to the application for registration of the effectiveness of the Partnership Agreement:

- (i) The Written Partnership Agreement;
- (ii) A written document evidencing payment and delivery of the capital contribution, as provided by paragraph 1 of Article 3; and
- (iii) If a partner is a juridical person, the following written documents:
  - (a) A certificate of matters registered for such juridical person unless the head office or principal office of such juridical person is located within the geographical area of jurisdiction of the registration office;
  - (b) A written document of appointment of the person who is to perform the duties of such partner; and
  - (c) A written document evidencing the acceptance of office by the person who is to perform the duties of such partner.

Article 68 ( Attachments to Registration of Changes, Etc. )

- (1) In an application for registration of an establishment or relocation of office or registration of any change in the matters listed in each item of Article 57, a written document evidencing the establishment or relocation of the office or the

change in the registered matters shall be attached to the application.

- (2) In an application for registration of changes due to admittance of a new partner that is a juridical person, written documents referred to in item (iii) of the preceding Article shall be attached to the application.

#### Article 69 ( Attachments to Registration of Dissolution )

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

#### Article 70 ( Attachments to Registration of Liquidator )

- (1) In an application for registration of a liquidator where a person referred to in the following each item becomes a liquidator, a written document setting out the following each item shall be attached to the application:

- (i) In the case of a person who is appointed pursuant to the proviso of paragraph 1 of Article 39, the following written documents:
- (a) A written document evidencing a majority vote of all partners; and
  - (b) A written document evidencing the acceptance of office by the appointed person.
- (ii) In the case of a person who is appointed by the court, a written document evidencing such appointment.

- (2) Article 67 (limited to portions relating to item (iii)) applies *mutatis mutandis* with respect to the registration of a liquidator who is a juridical person.

#### Article 71 ( Attachments to Registration of Change regarding Liquidators )

- (1) In an application for registration of a change for the reason of resignation of a liquidator, a written document evidencing such resignation shall be attached to the application.
- (2) In an application for registration of a change in the matters referred to in each item of paragraph 1 of Article 63, a written document evidencing such change in the registered matters shall be attached to the application.

#### Article 72 ( Attachments to Registration of Conclusion of Liquidation )

In an application for registration of conclusion of liquidation, a written document evidencing that a settlement of accounts in relation to liquidation has been approved as provided by Article 51 shall be attached to the application.

#### Article 73 ( *Mutatis Mutandis* Application of the Commercial Registration Law and the Civil Provisional Relief Law )

Articles 2 through 5, Articles 7 through 15, Article 17, Article 18, Articles 19-2 through 24, Article 26, Article 27, Articles 48 through 53, paragraph 1 of Article 71,

and Articles 132 through 148 of the Commercial Registration Law (Law No. 125 of 1963) and Article 56 of the Civil Provisional Relief Law apply *mutatis mutandis* with respect to the registration of a Partnership. In this case, the term "each item of paragraph 2 of Article 930 of the Companies Act" mentioned in paragraph 2 of Article 48 of the Commercial Registration Law shall be deemed to be replaced with "each item of Article 57 of the Limited Liability Partnership Act," the term "registration in the district of new location" mentioned in Article 53 of the Commercial Registration Law shall be deemed to be replaced with "in cases where the matters referred to in each item of Article 57 of the Limited Liability Partnership Act in the district of new location", the term "persons representing the juridical person or other directors, executive officers and statutory auditors of the juridical person" mentioned in Article 56 of the Civil Provisional Relief Law shall be deemed to be replaced with "partners or liquidators of the limited liability partnership," and the term "the head office or principal office and branches or secondary offices of the juridical person" mentioned in Article 56 of the Civil Provisional Relief Law shall be deemed to be replaced with the "principal office and secondary offices of the limited liability partnership."

#### **CHAPTER VIII REGISTRATION OF PROHIBITION ON DIVISION OF PARTNERSHIP ASSETS**

##### Article 74

- (1) If the assets of a Partnership are the Rights to Real Estate (meaning the rights referred to in each item of Article 3 of the Immovables Registration Law (Law No. 123 of 2004); hereinafter the same shall apply in the following paragraph), notwithstanding paragraph 2 of Article 676 of the Civil Code, as applied *mutatis mutandis* under Article 56, and where the provisions on the prohibition of partition of properties in co-ownership, as provided in item (vi) of Article 59 of the Immovables Registration Law and applied by being read with the replacement under the following paragraph, are not registered, then it may not be asserted against a third party that it is impossible to demand partition of the assets of the Partnership before liquidation.
- (2) Upon application of the Immovables Registration Law, if the assets of a Partnership are the Rights to Real Estate, "or a ruling determined by the Family Court that prohibits partition of properties in co-ownership or property rights other than ownership that are an estate as provided by paragraph 3 of Article 907 of the Civil Code" mentioned in item (vi) of Article 59 of the Immovables Registration Law, then such shall be read as "a ruling determined by the Family Court that prohibits partition of properties in co-ownership or property rights other than ownership that are an estate as provided by paragraph 3 of Article 907 of the Civil Code, or, if properties in co-ownership or property rights other than

ownership are the assets of a limited liability partnership, a limited liability partnership agreement of such limited liability partnership."

## CHAPTER IX PENAL PROVISIONS

### Article 75

In any of the following cases, partners or liquidators, or persons who are appointed by an order of provisional disposition to perform the duties of partners or liquidators may be subject to a civil fine of no more than 1,000,000yen; provided, however, that this does not apply in cases where such partners, liquidators or persons are to be subject to a punishment of a criminal penalty on account of the conduct in question:

- (i) If they fail to perform the registration required by this Act;
- (ii) If they fail to give public notification or notices required by this Act or give unfair public notification or notices;
- (iii) If they fail to stipulate or record the matters required to be stipulated or recorded in the Written Partnership Agreement, accounting books, Financial Statements or General Inventories, or make a false stipulation or record;
- (iv) If they fail to keep the Financial Statements or Written Partnership Agreement in violation of paragraph 4 or 5 of Article 31;
- (v) If they refuse to permit the inspection or copying of the Financial Statements or Written Partnership Agreement without justifiable reason in violation of paragraph 6 of Article 31;
- (vi) If they inappropriately specify the period mentioned in paragraph 1 of Article 46 for the purpose of delaying conclusion of liquidation;
- (vii) If they repay obligations in violation of paragraph 1 of Article 47; or
- (viii) If they distribute the assets of the Partnership in liquidation in violation of Article 49.

### Article 76

A person who violates paragraph 1 of Article 8 of the Companies Act as applied *mutatis mutandis* under paragraph 3 of Article 9 shall be subject to a civil fine of no more than 200,000yen.

## SUPPLEMENTARY PROVISIONS (Abstracts)

### Article 1 ( Effective Date )

This Act shall come into force as from the date specified by a Cabinet Order within a period not exceeding six (6) months from the date of promulgation.

### Article 2 ( Transitional Measures for Name of the Partnership )

Paragraph 2 of Article 9 does not apply to a person who has actually included in its name the phrase "Limited Liability Partnership" at the time of enforcement of this Act for a period of six (6) months from the enforcement of this Act.