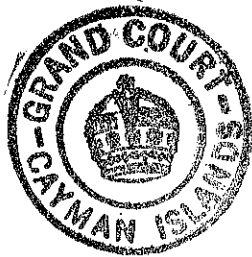


IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 392 OF 2006

IN THE MATTER OF MORGAN STANLEY JAPAN LIMITED

AND IN THE MATTER OF THE COMPANIES LAW (2004 REVISION)



PETITION



**TO:** The Grand Court of the Cayman Islands

**THE PETITION** of Morgan Stanley Japan Limited (the "Company") of PO Box 309GT, Grand Cayman, Cayman Islands, shows that:-

- 1 The object of this Petition is to seek an Order of the Court pursuant to section 16 of the Companies Law (2004 Revision) (the "Companies Law") confirming a reduction of the capital of the Company.
- 2 The Company was incorporated as an exempted company and registered on 12 August 1999.
- 3 The registered office of the Company is at PO Box 309GT, Grand Cayman, Cayman Islands.

- 4 The objects for which the Company was established are to carry on the business of an investment company, and to carry out the other objects more particularly set forth in the Memorandum of Association of the Company.
- 5 Since incorporation the Company's principal business was to act as the Japan branch of the Morgan Stanley group. The Japan branch was a Japanese licensed broker/dealer and provider of investment banking, sales and trading, research, securitization, real estate and investment management services. The Japan branch delivered products and services to clients to achieve their needs in equity, fixed income and foreign exchange markets. Pursuant to a change in Japanese law requiring such business to be conducted in a Japanese incorporated company, on March 31, 2006, the assets and liabilities (with the exception of the Japan branch's fiscal 2006 tax liability) of the Japan branch were sold for arm's length consideration to Morgan Stanley Japan Securities Co. Ltd., a Japanese corporation that is a 100% subsidiary of the Morgan Stanley group.
- 6 Upon incorporation the authorized share capital of the Company was US\$50,000 divided into 50,000 redeemable ordinary shares of US\$1.00 par value.
- 7 On 24 August 2001 the Company's authorized share capital was increased to US\$400,000,000 by the issue of 399,950,000 further redeemable ordinary shares of US\$1.00 par value.
- 8 On 21 February 2002 the Company's authorized share capital was increased to US\$800,000,000 by the issue of 400,000,000 further redeemable ordinary shares of US\$1.00 par value.

9 On 26 April 2006 the Company redeemed 530,232,323 shares held in the name of MSJL Holdings Limited.

10 At the date of this petition, the Company's issued share capital is US\$93,570,410.8, all of which shares are held by Morgan Stanley International Holdings Inc. (the "Shareholder").

11 The Articles of Association of the Company provide, inter alia, as follows:

*"33(d). Without prejudice to Article 11 hereof and subject to the provisions of [the Companies Law of the Cayman Islands from time to time], the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund."*

12 The Articles of Association further provide (at Article 42) that a resolution (including a Special Resolution) in writing signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

13 By a Special Resolution in writing dated 19 September 2006 it was resolved:

*"THAT conditional upon the confirmation by the Grand Court of the Cayman Islands and with effect from the date upon which this resolution takes effect pursuant to the Companies Law (2004 Revision) of the Cayman Islands (the "Effective Date"):*

*(a) The share capital of the Company be reduced from US\$800,000,000 to US\$467,852.05 by cancelling issued and paid-up share capital to the extent of US\$0.995 on each of the existing shares of US\$1.00 each in issue on the Effective Date and by cancelling all of the authorised but unissued capital of the Company,*

*being 706,429,589.2 shares of US\$1.00 each (the "Capital Reduction") so that each issued share in the Company on the Effective Date shall be treated as one fully paid-up participating share of US\$0.005 in the Company (the "Adjusted Shares") and any liability of the holders of the Adjusted Shares to make any further contribution to the capital of the Company on each such Adjusted Share shall be treated as satisfied;*

- (b) The credit arising from the Capital Reduction be attributed to a capital reduction reserve of the Company;*
- (c) Conditional upon the Capital Reduction taking effect, clause 6 of the Memorandum of Association of the Company be amended by the deletion of its entirety and the substitution therefor with the following:*

*"6. The share capital of the Company is US\$467,852.05 divided into 93,570,410.8 registered redeemable shares of a par value of US\$0.005 each."*

- (d) The Directors of the Company be and are now hereby authorised generally to do all things appropriate to effect and implement any of the foregoing."*

14 The Company has decided to reduce its nominal capital because following the sale of the Company's business, the Company's capital is now in excess of its needs, and further because such reduction will enable the Company to avoid certain recently introduced Japanese taxes that apply only to corporations that have in excess of 100 million Japanese yen (approximately US\$850,000 at current exchange rates) of capital.

15 The proposed reduction of capital does not involve the diminution of any liability in respect of unpaid capital.

16 The form of the Minute proposed to be registered is as follows:

*"The share capital of Morgan Stanley Japan Limited was, by virtue of a Special Resolution by way of written resolution dated 19 September 2006 and confirmed by an Order of the Grand Court dated November 2006, reduced from US\$800,000,000 divided into 800,000,000 shares of US\$1.00 each, to US\$467,852.05 divided into 93,570,410.8 shares of US\$0.005. At the date of the registration of this Minute ([ ] November 2006) 93,570,410.8 shares have been issued and are deemed to be fully paid-up. A Special Resolution of the Company has been passed to the effect that on the said reduction of capital taking effect the authorised capital of the Company be divided into 93,570,410.8 shares of US\$0.005 each, all of which shares are issued."*

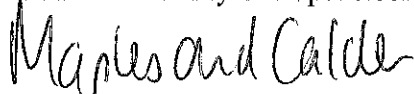
**YOUR PETITIONER THEREFORE HUMBL Y PRAYS AS FOLLOWS:**

17 That the provisions of section 15(2) of the Companies Law be dispensed with;

18 That the reduction of the capital of the Company proposed to be effected by the Special Resolution set forth in paragraph 13 of this Petition be confirmed by the Court.

19 That such other Order be made as the Court thinks fit.

Dated the 21st day of September 2006.

  
MAPLES AND CALDER

**NOTE:**

**It is not intended to serve this Petition on anyone.**

**ENDORSEMENT**

This Petition having been presented to the Grand Court of the Cayman Islands on the 21st day of September 2006 will be heard at the Grand Court of the Cayman Islands on the        day of November 2006 at 10.00 o'clock in the forenoon or as soon thereafter as the Petition can be heard.

**THIS PETITION** was presented by Maples and Calder, Attorneys-at-Law for the Petitioner, whose address for service is PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands (ref: BDM/CDM/273898/1699428).