

Cabinet Office Order on the System for Ensuring the Adequacy of Documents on Financial Calculation and Other Information

(Cabinet Office Order No. 62 of August 10, 2007)

Pursuant to the provisions of Article 24-4-4 of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (including cases where applied mutatis mutandis pursuant to Article 27 of that Act) and Article 193-2 of that Act, and for the purpose of enforcing that Act, the Cabinet Office Order on the System for Ensuring the Adequacy of Documents on Financial Calculation and Other Information is enacted as follows.

Chapter I General Provisions (Articles 1 to 3-2)

Chapter II Evaluation of Internal Controls over Financial Reports (Articles 4 and 5)

Chapter III Auditing of Internal Controls over Financial Reports (Articles 6 to 11-2)

Chapter IV Internal Controls over Financial Reports of a Foreign Company (Articles 12 to 17)

Chapter V Miscellaneous Provisions (Articles 18 to 21)
Supplementary Provisions

Chapter I General Provisions

(General Principles of Application)

Article 1 (1) The terminology, forms and preparation methods for an internal control report to be submitted pursuant to the provisions of Article 24-4-4 of the Financial Instruments and Exchange Act (hereinafter referred to as the "Act") (including cases where applied mutatis mutandis pursuant to Article 27 of the Act; the same applies hereinafter) are to be governed by the provisions of this Order, and matters that are not specified by this Order are to be governed by criteria for evaluation concerning Internal Controls over Financial Reports that are generally accepted as fair and appropriate.

(2) The audit certification for an internal control report under Article 193-2, paragraph (2) of the Act is to be performed by an Internal Control Audit report prepared by a certified public accountant (including a foreign certificated public accountant as described in Article 16-2, paragraph (5) of the Certified Public Accountants Act (Act No. 103 of 1948); the same applies hereinafter) or an auditing firm who has audited the internal control report.

- (3) The Internal Control Audit report set forth in the preceding paragraph must be prepared based on the results of an audit that has been conducted in accordance with the criteria and the practices concerning auditing of Internal Controls over Financial Reports that are generally accepted as fair and appropriate, beyond what is provided in this Cabinet Office Order.
- (4) The criteria for evaluation and auditing of Internal Controls over Financial Reports, as made public by the Business Accounting Council as prescribed in Article 24, paragraph (1) of the Cabinet Order for Organization of the Financial Services Agency (Cabinet Order No. 392 of 1998), are to fall under the criteria for evaluation of Internal Controls over Financial Reports that are generally accepted as fair and appropriate as referred to in paragraph (1) and under the criteria for the auditing of Internal Controls over Financial Reports that are generally accepted as fair and appropriate as referred to in the preceding paragraph.

(Definitions)

Article 2 In this Cabinet Office Order, the meanings of the terms set forth in the following items are as prescribed respectively in those items:

- (i) Financial Reports: financial statements (including Consolidated Financial Statements (meaning consolidated financial statements prescribed in Article 1, item (xxi) of the Cabinet Office Order on Disclosure of Corporate Information (Order of the Ministry of Finance No. 5 of 1973; hereinafter referred to as the "Cabinet Office Order on Disclosure"); the same applies in Article 5, paragraph (3)); hereinafter the same applies in this item) and external reports on matters which concern a disclosure that has a material influence on the reliability of financial statements;
- (ii) Internal Controls over Financial Reports: the system for properly preparing the Financial Reports of a company according to laws and regulations, etc.;
- (iii) Company Submitting an Internal Control Report: a company that is required to submit an internal control report together with an annual securities report under Article 24-4-4, paragraph (1) of the Act (including a Designated Corporation specified in Article 1, paragraph (1) of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Order of the Ministry of Finance No. 59 of 1963); hereinafter referred to as a "Designated Corporation" in this Article), or a company which submits an internal control report together with an annual securities report pursuant to Article 24-4-4, paragraph (2) of the Act (including a Designated Corporation);
- (iii)-2 Foreign Company Internal Control Report: a Foreign Company Internal Control Report provided in Article 24, paragraph (8) of the Act, as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6) of the Act

- (including cases where applied mutatis mutandis pursuant to Article 27 of the Act; the same applies hereinafter);
- (iv) Domestic Company: a Domestic Company as specified in Article 1, item (xx)-3 of the Cabinet Office Order on Disclosure;
 - (v) Foreign Company: a Foreign Company as specified in Article 1, item (xx)-4 of the Cabinet Office Order on Disclosure;
 - (vi) Consolidated Subsidiary Company: a Consolidated Subsidiary Company as specified in Article 2, item (iv) of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Order of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "Regulation on Consolidated Financial Statements");
 - (vii) Financial Statement Audit: the audit certification implemented by a certified public accountant or auditing firm pursuant to Article 193-2, paragraph (1) of the Act;
 - (viii) Internal Control Audit: the audit certification implemented by a certified public accountant or auditing firm pursuant to Article 193-2, paragraph (2) of the Act;
 - (ix) Company Submitting Consolidated Financial Statements: the Company Submitting Consolidated Financial Statements specified in Article 2, item (i) of the Regulation on Consolidated Financial Statements; and
 - (x) Material Inadequacy to Be Disclosed: an inadequacy in the Internal Controls over Financial Reports which is highly likely to have a material effect on the Financial Reports.

(System for Ensuring the Adequacy of Documents on Financial Calculation and of Other Information)

Article 3 The system specified by Cabinet Office Order as necessary for ensuring the adequacy of documents on financial calculation and of other information concerning the corporate group to which the company belongs and concerning the company itself as provided in Article 24-4-4, paragraph (1) means the system for preparing the Financial Reports of the company adequately according to laws and regulations, etc.

(Agent for a Foreign Company)

Article 3-2 When a Foreign Company submits an internal control report as set forth in Article 24-4-4, paragraph (1) or a Foreign Company Internal Control Report as set forth in Article 24, paragraph (8) as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6), or documents pertaining to amendments thereof, it must establish a person domiciled in Japan as an agent with the authority to represent the company in performing any and all acts concerning the submission of these documents.

Chapter II Evaluation of Internal Controls over Financial Reports

(Matters to Be Entered in the Internal Control Report)

Article 4 (1) A Company Submitting an Internal Control Report must prepare the internal control report in triplicate using the form specified by each of the following items for the category set forth in the relevant item, and must submit it together with the annual securities report as set forth in Article 24, paragraph (1) of the Act to the Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau (referred to as the "Director-General of a Local Finance Bureau, etc." in Article 10 and Article 11-2):

(i) Domestic Company: Form No. 1;

(ii) Foreign Company: Form No. 2.

(2) The following documents must be attached to the internal control report submitted by a Foreign Company. In this case, if the documents are not written in Japanese, a translation thereof must be attached:

(i) documents proving that the representative whose information is entered in the internal control report has the proper authority concerning submission of the internal control report; and

(ii) documents proving that the Foreign Company has granted a person domiciled in Japan the authority to represent the Foreign Company with regard to any and all acts concerning submission of the internal control report.

(Reference Date)

Article 5 (1) The Company Submitting an Internal Control Report is to prepare the internal control report with the last day of the company's business year as the Reference Date.

(2) In the case where the Reference Date is changed because of a change in account closing day or on any other grounds, a statement to that effect and the reason for the change must be included in the internal control report.

(3) With regard to a Consolidated Subsidiary Company whose last day of the business year differs from the Consolidated Account Closing Day (hereinafter referred to as the "Consolidated Account Closing Day" in this paragraph) of the Company Submitting an Internal Control Report, in cases where the Consolidated Financial Statements of the Company Submitting an Internal Control Report are prepared based on the financial statements concerning the Consolidated Subsidiary Company's business year, except when a material alteration is made to the internal control over Financial Reports of the Consolidated Subsidiary Company during the period from the day following the

last day of the Consolidated Subsidiary Company's business year until the Consolidated Account Closing Day for the Consolidated Financial Statements, the evaluation of Internal Controls over Financial Reports of the Consolidated Subsidiary Company conducted by the Company Submitting an Internal Control Report when it prepares the Internal Control Report may be based on the evaluation of Internal Controls over Financial Reports of the Consolidated Subsidiary Company on the last day of the Consolidated Subsidiary Company's business year.

Chapter III Auditing of Internal Controls over Financial Reports

(Matters to Be Entered in an Internal Control Audit Report)

Article 6 (1) On an Internal Control Audit report set forth in Article 1, paragraph (2) of the Act, a certified public accountant or a representative of an auditing firm must include the matters under the following items concisely and clearly, and must enter the date of preparation and affix their name and seal thereto. In this case, if an auditing firm prepares the Internal Control Audit report, in addition to the representative of the auditing firm, the partner in charge of executing the procedure concerning the audit certification (hereinafter referred to as the "Engagement Partner") must affix their name and seal thereto; provided, however, that in cases where the Internal Control Audit report is the Designated Certification (meaning a designated certification as specified in Article 34-10-4, paragraph (2) of the Certified Public Accountants Act) or the Specified Certification (meaning a specified certification as specified in Article 34-10-5, paragraph (2) of the Certified Public Accountants Act), the Engagement Partner serving as the Designated Partner (meaning a designated partner as specified in Article 34-10-4, paragraph (2) of the Certified Public Accountants Act) in relation to the Designated Certification or serving as the Designated Limited Liability Partner (meaning a designated limited liability partner as specified in Article 34-10-5, paragraph (2) of the Certified Public Accountants Act) in relation to the Specified Certification must enter the date of preparation and affix their name and seal thereto:

- (i) the subject of the Internal Control Audit;
- (ii) the responsibility of management;
- (iii) the responsibility of the certified public accountant or the auditing firm conducting the Internal Control Audit;
- (iv) opinions as to whether the Internal Control Report adequately presents, in all material respects, the evaluation results for the Internal Controls over Financial Reports in accordance with the criteria for the evaluation of Internal Controls over Financial Reports that are generally accepted as fair

- and appropriate;
- (v) additional information; and
 - (vi) the interests which should be clearly indicated pursuant to Article 25, paragraph (2) of the Certified Public Accountants Act (including cases where applied mutatis mutandis pursuant to Article 16-2, paragraph (6) and Article 34-12, paragraph (3) of the Certified Public Accountants Act).
- (2) With regard to the subject of the Internal Control Audit set forth in item (i) of the preceding paragraph, the scope of the internal control report that was the subject of the Internal Control Audit is to be included.
- (3) With regard to the responsibility of management set forth in paragraph (1), item (ii), the following matters are to be included:
- (i) a statement that the management has a responsibility to design and implement the Internal Controls over Financial Reports and to prepare the internal control report; and
 - (ii) the fact that the possibility of false statements being present in the Financial Reports cannot be completely prevented or discovered through the Internal Controls over Financial Reports.
- (4) With regard to the responsibility of the certified public accountant or the auditing firm conducting the Internal Control Audit set forth in paragraph (1), item (iii), the following matters are to be included:
- (i) a statement that the certified public accountant or the auditing firm conducting the Internal Control Audit has a responsibility to express opinions in the internal control report from an independent standpoint;
 - (ii) a statement that the Internal Control Audit was conducted based on the audit criteria for Internal Controls over Financial Reports which are generally accepted as fair and appropriate by the certified public accountant or the auditing firm; and
 - (iii) a statement that the criteria for the Internal Control Audit pertaining to Financial Reports require the certified public accountant or the auditing firm conducting the Internal Control Audit to reasonably assure that there is no material misstatement in the internal control report;
 - (iv) a statement that the Internal Control Audit includes procedures to obtain audit evidence relating to the evaluation results for the Internal Controls over Financial Reports in the internal control report;
 - (v) a statement that the overall presentation of the internal control report has been reviewed in the Internal Control Audit, including the scope of evaluation, the evaluation procedures and the evaluation results determined by the management;
 - (vi) a statement that the selection and application of the audit procedure of the Internal Control Audit is based on the judgment of the certified public accountant or the auditing firm; and

- (vii) a statement that the audit evidence obtained as a result of the Internal Control Audit is sufficient and appropriate to provide a basis for the expressing of an opinion.
- (5) With regard to an opinion set forth in paragraph (1), item (iv), the matters set forth in the following items are to be included for the respective categories of opinion listed in those items:
- (i) an unqualified opinion: a statement that the internal control report which has been subject to the Internal Control Audit is found to adequately present, in all material respects, the evaluation of Internal Controls over Financial Reports in accordance with the criteria for evaluation of Internal Controls over Financial Reports which are generally accepted as fair and appropriate;
 - (ii) a qualified opinion with an excepted matter: a statement that, apart from an excepted matter, the internal control report which has been subject to the Internal Control Audit is found to adequately present, in all material respects, the evaluation of Internal Controls over Financial Reports in accordance with the criteria for the evaluation of Internal Controls over Financial Reports which are generally accepted as fair and appropriate, along with the excepted inappropriate matter and the influence of the excepted matter on the Financial Statement Audit or the influence of the important audit procedure that could not be implemented, etc. and the fact on the Financial Statement Audit; or
 - (iii) an adverse opinion: a statement that the internal control report subject to the Internal Control Audit is inadequate and the reason therefor, along with the influence thereof on the Financial Statement Audit.
- (6) With regard to the matters set forth in paragraph (1), item (v), the following matters and any other matters that the certified public accountant or the auditing firm conducting the Internal Control Audit has determined should be emphasized or otherwise explained are to be included separately:
- (i) in cases where there is a statement in the internal control report of the details of the Material Inadequacy to Be Disclosed and the reason why the Material Inadequacy to be Disclosed has not been rectified, a statement that there is the Material Inadequacy to Be Disclosed and the influence of the Material Inadequacy to be Disclosed on the Financial Statement Audit;
 - (ii) in the case referred to in the preceding item, if any measures have been taken to rectify the Material Inadequacy to Be Disclosed after the last day of the relevant business year, the details of those measures;
 - (iii) post-balance sheet events which have a material influence on the evaluation of the validity of the Internal Controls over Financial Reports; and
 - (iv) in cases where an unqualified opinion is expressed on the internal control report that the failure to implement part of the management's evaluation

procedures was attributable to unavoidable circumstances, the extent to which a sufficient evaluation procedure could not be implemented and the reason therefor.

(7) In the case where the certified public accountant or the auditing firm is unable to gain a basis to allow for the expression of opinions as set forth in paragraph (1), item (iv) because some important audit procedure was not implemented or due to any other reason, notwithstanding the provisions of that paragraph, the certified public accountant or the auditing firm must state that the opinions set forth in that item will not be expressed and the reason therefor on the Internal Control Audit report.

Article 7 The Internal Control Audit report set forth in Article 1, paragraph (2) is to be prepared together with the audit report set forth in Article 3, paragraph (1) of the Cabinet Office Order on Audit Certification of Financial Statements (Order of the Ministry of Finance No. 12 of 1957); provided, however, that this does not apply to the case where there are unavoidable circumstances.

Article 8 When conducting the Internal Control Audit, the certified public accountant or the auditing firm is to enter the information of the persons engaged in the Internal Control Audit and the number of days required for the audit together with the outline of other matters concerning the Internal Control Audit in the outline report set forth in Article 5, paragraph (2), item (i) of the Cabinet Office Order on Audit Certification of Financial Statements.

(Certification Found to Be Equivalent to Audit Certification)

Article 9 Receipt of certification that is found to be equivalent to audit certification pursuant to the provisions of Cabinet Office Order, as referred to in Article 193-2, paragraph (2), item (i) of the Act, is the receipt of certification as a result of receiving an offer of business in regard to a Foreign Company's Financial Documents (meaning a foreign company's financial documents as set forth in Article 34-35, paragraph (1) of the Certified Public Accountants Act) from a Foreign Auditing Firm, etc. (meaning a foreign auditing firm, etc. as set forth in Article 1-3, paragraph (7) of the Certified Public Accountants Act; the same applies in Article 13, item (iii)) that is found to be equivalent to business set forth in Article 2, paragraph (1) of the Certified Public Accountants Act.

(Approval of Exemption from the Requirement to Receive Audit Certification)

Article 10 When a Company Submitting an Internal Control Report intends to receive an approval set forth in Article 193-2, paragraph (2), item (iii) of the Act, it must submit a written application for approval to the Director-General

of a Local Finance Bureau, etc.

(Scale of Listed Company Not Being Required to Receive an Audit Certification)

Article 10-2 The criteria specified by Cabinet Office Order prescribed in Article 193-2, paragraph (2), item (iv) of the Act are that the amount reported as the stated capital on the consolidated balance sheet or the balance sheet pertaining to the business year immediately preceding the business year to which the day on which the Listed Company, etc. corresponded to the Issuer of Securities (limited to those set forth in each item of Article 4-2-7, paragraph (1) of the Order) set forth in Article 24, paragraph (1), item (i) or (ii) of the Act (including the cases where these provisions are applied mutatis pursuant to Article 27) belongs is equal to or more than ten billion yen, or the sum of the amounts reported in liabilities on the consolidated balance sheet or the balance sheet is equal to or more than one hundred billion yen.

(Special Interest between the Certified Public Accountant or the Auditing Firm and the Audited Company)

Article 11 (1) What is specified by Cabinet Office Order concerning a certified public accountant as referred to in Article 193-2, paragraph (4) of the Act is the interests which fall under any of the following cases:

- (i) interests set forth in Article 24, paragraph (1) or (3) of the Certified Public Accountants Act (including the cases where these provisions are applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of that Act);
- (ii) where the business set forth in Article 2, paragraph (1) of the Certified Public Accountants Act may not be carried out pursuant to Article 24-2 of that Act (including cases where applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of that Act);
- (iii) where the audit-related service set forth in Article 24-3, paragraph (3) of the Certified Public Accountants Act may not be carried out pursuant to Article 24-3, paragraph (1) of that Act (including cases where applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of that Act);
- (iv) the case where a person who acts as an Assistant in the auditing of a company which intends to receive an audit certification (the person is hereinafter referred to as an "Assistant", and the company is hereinafter referred to as the "Audited Company") has any of the interests set forth in Article 24, paragraph (1), item (i) or (ii) or paragraph (3) of the Certified Public Accountants Act, or in Article 7, paragraph (1), items (i), (iv) to (vi), item (viii) or (ix) of the Order for Enforcement of the Certified Public Accountants Act (Cabinet Order No. 343 of 1952);
- (v) the case where any relative within the second degree of kinship with the

- certified public accountant has any of the interests set forth in Article 24, paragraph (1), item (i) of the Certified Public Accountants Act or in Article 7, paragraph (1), item (i) of the Order for Enforcement of the Certified Public Accountants Act; or
- (vi) the case where a certified public accountant, the accountant's spouse or Assistant has any of the interests set forth in Article 24, paragraph (1), item (i) or (ii) or paragraph (3) of the Certified Public Accountants Act, or in Article 7, paragraph (1), items (i) or (iv) to (vii) of the Order for Enforcement of the Certified Public Accountants Act (with regard to an Assistant, excluding the interests set forth in item (vii) of that paragraph) with a Consolidated Subsidiary Company (meaning a consolidated subsidiary company when the Audited Company is a Domestic Company or meaning a company equivalent to a consolidated subsidiary company when the Audited Company is a Foreign Company; the same applies hereinafter) or an Equity Method Affiliate (when the Audited Company is a Domestic Company, this means any Non-Consolidated Subsidiary Company (meaning a non-consolidated subsidiary company as set forth in Article 2, item (vi) of the Regulation on Consolidated Financial Statements; the same applies hereinafter) and any Affiliate (meaning an affiliate as set forth in Article 2, item (vii) of the Regulation on Consolidated Financial Statements; the same applies hereinafter) to which the equity method set forth in Article 2, item (viii) of the Regulation on Consolidated Financial Statements is applied, and when the Audited Company is a Foreign Company, this means any company equivalent to a Non-Consolidated Subsidiary Company or to an Affiliate to which the equity method set forth in Article 2, item (viii) of the Regulation on Consolidated Financial Statements is applied; the same applies hereinafter) of the Audited Company.
- (2) What is specified by Cabinet Office Order concerning auditing firms as referred to in Article 193-2, paragraph (4) of the Act is the interests falling under any of the following cases:
- (i) the interests set forth in Article 34-11, paragraph (1) of the Certified Public Accountants Act;
- (ii) where the business set forth in Article 2, paragraph (1) of the Certified Public Accountants Act may not be carried out pursuant to Article 34-11-2 of that Act;
- (iii) where the partner of the auditing firm who carries out the audit certification procedure concerning the Audited Company or the partner's spouse has the interests set forth in Article 34-11, paragraph (3) of the Certified Public Accountants Act;
- (iv) where an Assistant has any of the interests set forth in Article 24, paragraph (1), item (i) or (ii) or paragraph (3) of the Certified Public

- Accountants Act, or in Article 7, paragraph (1), items (i), (iv) to (vi), item (viii) or (ix) of the Order for Enforcement of the Certified Public Accountants Act;
- (v) where any relative within the second degree of kinship with the partner who carries out the audit certification procedure for the Audited Company has any of the interests set forth in Article 24, paragraph (1), item (i) of the Certified Public Accountants Act or in Article 7, paragraph (1), item (i) of the Order for Enforcement of the Certified Public Accountants Act;
 - (vi) where an auditing firm has any of the interests set forth in Article 34-11, paragraph (1), item (i) of the Certified Public Accountants Act or in Article 15, items (i) to (iii) of the Order for Enforcement of the Certified Public Accountants Act with a Consolidated Subsidiary Company or an Equity Method Affiliate of the Audited Company;
 - (vii) the case where the partner of the auditing firm who carries out the audit certification procedure for the Audited Company or the partner's spouse or Assistant has any of the interests set forth in Article 24, paragraph (1), item (i) or (ii) or paragraph (3) of the Certified Public Accountants Act, or in Article 7, paragraph (1), items (i) or (iv) to (vii) of the Order for Enforcement of the Certified Public Accountants Act (with regard to an Assistant, excluding the interests set forth in item (vii) of that paragraph) with a Consolidated Subsidiary Company or an Equity Method Affiliate of the Audited Company;
 - (viii) the case where any of the partners of the auditing firm is a person who serves as a director, executive officer, company auditor, or employee of an Equity Method Affiliate of the Audited Company, or a person who has any of the interests set forth in Article 15, item (v) of the Order for Enforcement of the Certified Public Accountants Act with a Consolidated Subsidiary Company or an Equity Method Affiliate of the Audited Company; or
 - (ix) the case where half or more of the partners of the auditing firm have, with regard to themselves or their spouse, the interests set forth in Article 15, item (vii) of the Order for Enforcement of the Certified Public Accountants Act with the Audited Company or any of the interests set forth in Article 24, paragraph (1), item (i) or (ii) or paragraph (3) of the Certified Public Accountants Act or in Article 7, paragraph (1), items (i) or (iv) to (vii) of the Order for Enforcement of the Certified Public Accountants Act with a Consolidated Subsidiary Company or an Equity Method Affiliate of the Audited Company.

(Authority to Which Amendment Report Is to Be Submitted)

Article 11-2 The amendment report pertaining to the internal control report submitted to the Director-General of a Local Finance Bureau, etc. pursuant to

the provisions of Article 4, paragraph (1) must be submitted to the Director-General of a Local Finance Bureau, etc.; provided, however, that in cases where the Commissioner of the Financial Services Agency has ordered the submission of an amendment report as set forth in Article 9, paragraph (1) and Article 10, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 24-4-5, paragraph (1) of the Act, the amendment report is to be submitted to the Commissioner of the Financial Services Agency.

Chapter IV Internal Controls over Financial Reports of a Foreign Company

(Internal Control Report of a Foreign Company)

- Article 12 (1) In the case where the Commissioner of the Financial Services Agency approves a Foreign Company to submit documents on financial calculation disclosed in its home country (including the state or any other region where the company is headquartered; the same applies hereinafter) as financial documents on finding no risk of impairment of the public interest or protection of investors, if the Commissioner of the Financial Services Agency approves the Foreign Company to submit a report evaluating the Internal Controls over Financial Reports disclosed in its home country (including other documents of similar nature) as the internal control report on finding no risk of impairment of the public interest or protection of investors, the terminology, forms, and preparation methods of the internal control report prepared by the Foreign Company may, except for matters specified as deemed necessary by the Commissioner of the Financial Services Agency, be the terminology, forms, and preparation methods used in the home country.
- (2) In the case where the documents on financial calculation disclosed by a Foreign Company in its home country do not qualify for approval by the Commissioner of the Financial Services Agency based on the provisions of the preceding paragraph, if the Commissioner of the Financial Services Agency approves the Foreign Company to submit documents on financial calculation disclosed in an area outside Japan other than its home country as financial documents on finding no risk of impairment of the public interest or protection of investors and if the Commissioner of the Financial Services Agency approves the Foreign Company to submit a report evaluating the Internal Controls over Financial Reports disclosed in the area outside Japan other than its home country (including other documents of a similar nature) as the internal control report on finding no risk of impairment of the public interest or protection of investors, the terminology, forms, and preparation methods of the internal control report pertaining to the Financial Report prepared by the Foreign Company may, except for matters specified as deemed necessary by the Commissioner of the Financial Services Agency, be the terminology, forms, and

preparation methods used in the area outside Japan other than its home country.

Article 13 The internal control report under the preceding Article is also to contain the following matters:

- (i) the terminology, forms, and preparation methods in accordance with which the internal control report has been prepared;
- (ii) material differences from the case of the internal control report having been prepared without applying the provisions of the preceding Article; and
- (iii) material differences from the Internal Control Audit in the case where the Foreign Auditing Firm, etc. implements the certification which is deemed to be equivalent to the audit certification set forth in Article 193-2, paragraph (2), item (i) of the Act.

(Submission Requirement of the Foreign Company Internal Control Report)

Article 14 The cases specified by Cabinet Office Order as referred to in Article 24, paragraph (8) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6) are the cases where the Commissioner of the Financial Services Agency approves a Foreign Company required to submit an internal control report to submit a Foreign Company Internal Control Report in lieu of the Internal Control Report, etc. (meaning the internal control report, etc. as set forth in Article 24, paragraph (8) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6)) on finding no risk of impairing the public interest or protection of investors in the light of the terminology, forms, and preparation methods thereof.

(Submission of a Foreign Company Internal Control Report)

Article 15 (1) The Foreign Company which intends to submit a Foreign Company Internal Control Report pursuant to Article 24, paragraph (8) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6) of the Act must submit the Foreign Company Internal Control Report and the Supplementary Documents (meaning the supplementary documents set forth in Article 24, paragraph (9) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6) of the Act (including cases where applied mutatis mutandis pursuant to Article 27 of the Act; the same applies hereinafter); hereinafter the same applies in Article 17, paragraph (2), item (i)) in triplicate to the Director-General of the Kanto Local Finance Bureau.

(2) The matters specified by Cabinet Office Order as necessary and appropriate for the public interest or protection of investors among those included in the Foreign Company Internal Control Report set forth in Article 24, paragraph (9) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph

- (6) of the Act are matters equivalent to those to be entered under the following items in Form No. 2:
- (i) [1 Matters concerning the fundamental framework for the Internal Controls over Financial Reports];
 - (ii) [2 Matters concerning the range of evaluation, the Reference Date, and the procedure for evaluation];
 - (iii) [3 Matters concerning the evaluation results];
 - (iv) [4 Supplementary matters]; and
 - (v) [5 Special matters].
- (3) What is specified by Cabinet Office Order set forth in Article 24, paragraph (9) of the Act as applied *mutatis mutandis* pursuant to Article 24-4-4, paragraph (6) of the Act is the following:
- (i) a document written in Japanese that contains the matters equivalent to the matters set forth in the items of Article 13 concerning the Foreign Company Internal Control Report;
 - (ii) a comparative table of the matters to be entered in the internal control report pursuant to Form No. 2 and the matters entered in the Foreign Company Internal Control Report which are equivalent to the matters;
 - (iii) a document written in Japanese that contains matters as instructed by the Commissioner of the Financial Service Agency on finding them necessary in light of the public interest or protection of investors;
 - (iv) a document proving that the representative whose information is entered in the Foreign Company Internal Control Report has the proper authority concerning submission of the Foreign Company Internal Control Report;
 - (v) a document proving that the Foreign Company has granted a person domiciled in Japan the authority to represent the Foreign Company with regard to any and all acts concerning submission of the Foreign Company Internal Control Report; and
 - (vi) a document prepared pursuant to Form No. 3.
- (4) In the case where the documents listed in items (iv) and (v) of the preceding paragraph are not written in Japanese nor in English, a translation thereof must be attached.

(Submission Requirement for the Foreign Company Amendment Report)

Article 16 The cases specified by Cabinet Office Order as set forth in Article 24, paragraph (8) of the Act as applied *mutatis mutandis* pursuant to Article 24-4-5, paragraph (3) (including cases where applied *mutatis mutandis* pursuant to Article 27 of the Act; the same applies in paragraph (2) of the following Article) are cases where the Commissioner of the Financial Services Agency approves a Foreign Company to submit a Foreign Company Amendment Report (meaning the amendment report of a Foreign Company as set forth in that paragraph;

the same applies in paragraph (1) of the following Article) in lieu of the amendment report, on finding no risk of impairment of the public interest or protection of investors in light of the terminology, forms, and preparation methods thereof.

(Submission of the Foreign Company Amendment Report)

- Article 17 (1) The provisions of Article 15, paragraphs (1) and (3) (limited to the parts pertaining to item (vi)) apply mutatis mutandis to cases where a Foreign Company submits a Foreign Company Amendment Report.
- (2) What is specified by Cabinet Office Order as set forth in Article 24, paragraph (9) of the Act as applied mutatis mutandis pursuant to Article 24-4-5, paragraph (3) of the Act is documents which contain the following matters in Japanese:
- (i) the submission date of the internal control report and its Supplementary Documents to be amended;
 - (ii) the reason for the amendment; and
 - (iii) the parts to be amended and the contents of the amendments.

Chapter V Miscellaneous Provisions

Article 18 In the case where a Specified Company Complying with Designated International Accounting Standards prescribed in Article 1-2 of the Regulation on Consolidated Financial Statements which has registered Consolidated Financial Statements prepared based on the International Accounting Standards prescribed in Article 93 of the Regulation on Consolidated Financial Statements with the U.S. Securities and Exchange Commission submits Consolidated Financial Statements under Article 93 of the Regulation on Consolidated Financial Statements, or in cases where the Commissioner of the Financial Services Agency approves a Company Submitting Consolidated Financial Statements registered with the U.S. Securities and Exchange Commission to submit Consolidated Financial Statements prepared by using the terminology, forms, and preparation methods that are required with regard to issuance, etc. of American Depositary Receipts (hereinafter referred to as "U.S.-style Consolidated Financial Statements") as the Consolidated Financial Statements under the provisions of the Act, on finding no risk of impairing the public interests or protection of investors, the terminology, forms, and preparation methods of the internal control report submitted by the company may, except for matters as instructed by the Commissioner of the Financial Services Agency on finding that they are necessary, be the terminology, forms, and preparation methods required in the United States for an internal control report.

Article 19 The internal control report set forth in the preceding Article must be entered in Japanese.

Article 20 The internal control report under Article 18 is also to contain the following matters:

- (i) the terminology, forms, and preparation methods in accordance with which the internal control report has been prepared; and
- (ii) material differences from the case of the internal control report having been prepared without applying the provisions of Article 18.

Article 21 (1) In the case where a Specified Company Complying with Designated International Accounting Standards prescribed in Article 1-2 of the Regulation on Consolidated Financial Statements or a Company Submitting Consolidated Financial Statements which has registered U.S.-style Consolidated Financial Statements with the U.S. Securities and Exchange Commission prepares an internal control report pursuant to Article 18, the audit certification performed on the internal control report prepared by the company may, except for matters as instructed by the Commissioner of the Financial Services Agency on finding that they are necessary, be performed in accordance with the audit criteria and practices for Internal Controls over Financial Reports which are generally accepted as fair and appropriate in the United States.

(2) The Internal Control Audit report concerning audit certification performed on the internal control report set forth in the preceding paragraph must contain the following matters:

- (i) the criteria in accordance with which the Internal Control Audit report has been prepared; and
- (ii) material differences from the case where the Internal Control Audit report has been prepared without applying the provisions of the preceding paragraph.