

Order for Enforcement of the Certified Public Accountants Act

(Cabinet Order No. 343 of August 14, 1952)

(Exemption of Persons Conferred with Specified Degrees from Short-Answer Examination Subjects)

Article 1 The subjects to be specified by Cabinet Order as prescribed in Article 9, paragraph (2), item (ii) of the Certified Public Accountants Act (hereinafter referred to as the "Act") is financial accounting (meaning the subject prescribed in Article 8, paragraph (1), item (i) of the Act; the same applies in the following Article), management accounting (meaning the subject prescribed in Article 8, paragraph (1), item (ii) of the Act) and auditing.

(Exemption of Persons with Practical Experience from Short-Answer Examination Subjects)

Article 1-2 The person to be specified by Cabinet Order as prescribed in Article 9, paragraph (2), item (iii) of the Act is a person who has, for a total period of seven years or more, engaged in the affairs or services related to accounting or audits that are specified by a Cabinet Office Order at a listed company, etc. (meaning an issuer of securities listed in the items of Article 27-2 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965) (excluding those that fall under the securities set forth in Article 2, paragraph (1), item (xi) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) and those pertaining to the relevant securities, and tradable securities prescribed in Article 67-18, item (iv) of the same Act)), a large company prescribed in Article 2, item (vi) of the Companies Act (Act No. 86 of 2005), the national government, a local government, or any other corporation specified by a Cabinet Office Order, and the subject specified by a Cabinet Order as prescribed in Article 9, paragraph (2), item (iii) of the Act is to be financial accounting.

(Exemption from Essay Examinations Subjects)

Article 1-3 The person to be specified by a Cabinet Order as prescribed in Article 10, paragraph (1), item (vii) of the Act is any of the following persons, and the subject to be specified by Cabinet Order as prescribed in item (vii) of the same paragraph are the subjects listed in the following items for the categories of persons set forth respectively in those items:

(i) a person who has engaged in affairs or services related to the establishment of standards for corporate accounting, unification of cost accounting, or any

other development or improvement of the corporate accounting system, and who has been recognized by the certified public accountants and auditing oversight board (hereinafter referred to as the "board") as having the necessary knowledge and applied skill for a person qualified to become a certified public accountant -- Accounting (meaning the subject prescribed in Article 8, paragraph (2), item (i) of the Act);

- (ii) a person who has engaged in affairs or services related to the establishment of auditing standards or any other development or improvement of the auditing system, and who has been recognized by the board as having the necessary knowledge and applied skill for a person qualified to become a certified public accountant – Auditing.

(Auditing, Analysis or Any Other Practice Related to Finance)

Article 2 The auditing, analysis or any other practice related to finance prescribed in Article 15, paragraph (1), item (ii) of the Act are the following:

- (i) being directly in charge of the accounting-related inspection or auditing of a national or local government organization or of a corporation other than a national or local government (when the relevant corporation has not been incorporated based on a special Act, limited to a corporation that falls under any of the following items; the same applies in item (iii)) or of examination or inspection related to national tax in the national or local government organization;

- (a) a corporation with the amount of stated capital (meaning the amount of stated capital, the total contribution amount, or the total amount of funds) of five hundred million yen or more;

- (b) a corporation required to obtain an audit certification pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act; or

- (c) a corporation specified by Cabinet Office Order as a corporation required to prepare financial documents (meaning the financial documents provided in Article 1-3, paragraph (1) of the Act; the same applies hereinafter) on a consolidated basis with the corporation listed in (a) or (b):

- (ii) being directly in charge of affairs related to loans, guarantees of obligations, or other fund operations equivalent thereto, at a financial institution prescribed in Article 2, paragraph (1) of the Deposit Insurance Act (Act No. 34 of 1971), an insurance company, a mutual loan company, or a corporation equivalent thereto that has been incorporated based on a special Act;

- (iii) beyond what is provided for in the preceding item, being directly in charge of affairs related to cost accounting or any other financial analysis at a national government, local government, or corporation other than the national government or a local government.

(Travel Expenses and Daily Allowances)

Article 3 The amount of travel expenses and daily allowances that may be claimed based on the provisions of Article 33, paragraph (2) of the Act by a witness or expert witness who has appeared based on an order under the provisions of paragraph (1), item (i) or (ii) of the same Article is an amount equivalent to the train fares, boat fares, car fares, accommodation charges, and daily allowances that a grade-two official under the salary schedule for administrative positions (1) prescribed in Article 6, paragraph (1), item (i), (a) of the Act on Remuneration of Employees in the Regular Service (Act No. 95 of 1950) receives pursuant to the provisions of the Act on Travel Expenses of National Public Officers (Act No. 114 of 1950).

(Other Expenses)

Article 4 When the Commissioner of the Financial Services Agency has requested the witness or expert witness set forth in the preceding Article to prepare a written opinion, a written report, or a written expert opinion, if the commissioner finds it necessary, the commissioner may pay a reasonable amount of expenses beyond the travel expenses and daily allowances prescribed in the same Article.

Article 5 Deleted.

(Examination Fee)

Article 6 The amount to be specified by a Cabinet Order as prescribed in Article 11, paragraph (1) of the Act is nineteen-thousand five-hundred yen.

(Substantial Interest Pertaining to a Certified Public Accountant)

Article 7 (1) The relationship to be specified by Cabinet Order as prescribed in Article 24, paragraph (2) of the Act (including cases where it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) is the relationships between a certified public accountant or their spouse and the client company being audited, etc. listed in the following items for the cases set forth respectively in those items:

- (i) when the certified public accountant or their spouse has been an officer, a person equivalent thereto, or a responsible person in charge of affairs related to finance (hereinafter referred to as an "officer, etc.") for a company (hereinafter referred to as the "client company being audited, etc.") or any other person intending to receive an audit or attestation for financial documents within the period from the starting date of the accounting period (meaning the accounting period prescribed in Article 24-3 of the Act; the

- same applies hereinafter) until the date on which three months have elapsed from the end of the relevant accounting period (hereinafter referred to as the "audit-related period") pertaining to the relevant financial documents to be audited or attested (meaning the audit or attestation carried out as services set forth in Article 2, paragraph (1) of the Act; the same applies hereinafter);
- (ii) when the spouse of the certified public accountant is an employee or has been an employee of the client company being audited, etc. within the past year;
 - (iii) when the spouse of the certified public accountant is a national or local public employee, or had been in such a position and two years have yet to elapse from retirement, if the duties of the office the spouse holds or held within two years preceding the retirement are closely related to the client company being audited, etc. (limited to one that falls under the category of a profit-making company) pertaining to the relevant certified public accountant;
 - (iv) if the certified public accountant or their spouse is a shareholder, a capital investor, a creditor, or a debtor of the client company being audited, etc.; excluding, however, for a shareholder or a capital investor, the case where one year has yet to elapse from the acquisition of the shares of or the contribution in the client company being audited, etc. through inheritance or testamentary gift and, for a creditor or a debtor, the case where their claim or obligation is based on a contract with the client company being audited, etc. concerning the services set forth in Article 2, paragraphs (1) or (2) of the Act, if the amount of their claim or obligation is less than one million yen, the case where one year has yet to elapse from the acquisition of the claim or the obligation against the client company being audited, etc. through inheritance or testamentary gift, and other cases where their claim or obligation is a claim or obligation with special circumstances as specified by a Cabinet Office Order;
 - (v) the case where the certified public accountant or their spouse receives from the client company being audited, etc. provision of an office or funds without charge or for a consideration lower than the ordinary market price or any other grant of special economic benefits;
 - (vi) when the certified public accountant or their spouse receives continuous remunerations from the client company being audited, etc. through certified tax accountant services (meaning certified tax accountant services prescribed in Article 2 of the Certified Tax Accountants Act (Act No. 237 of 1951); the same applies hereinafter) or other services other than those set forth in Article 2, paragraphs (1) and (2) of the Act;
 - (vii) when the certified public accountant or their spouse receives benefits or remunerations as prescribed in item (v) or the preceding item from an officer,

- etc. of the client company being audited, etc. or a person who has or had been in such a position within the past year or during the audit-related period;
- (viii) when the certified public accountant or their spouse is an officer or a person equivalent thereto of a related company, etc. of the client company being audited, etc. or has or had been in such a position within the past year or during the audit-related period;
- (ix) when the certified public accountant is an employee of the parent company, etc. or a subsidiary company, etc. of the client company being audited, etc.
- (2) The related company, etc. prescribed in item (viii) of the preceding paragraph is either of the following:
- (i) one specified by Cabinet Office Order as the other company, etc. (meaning a company or other organization; the same applies hereinafter) where the client company being audited, etc. (including a subsidiary company, etc. of the client company being audited, etc.) is capable of having a material influence on the finance, operations or business policy decisions of that other company, etc.;
- (ii) one specified by a Cabinet Office Order as the other company, etc. (including a subsidiary company, etc. of that other company, etc.) where that other company, etc. is capable of having a material influence on decisions on the finance, operations or business policy decisions of the client company being audited, etc.
- (3) The parent company, etc. prescribed in paragraph (1), item (ix) means one specified by a Cabinet Office Order as a company, etc. having control over a body that makes decisions on the policy of finance and operations or business of any other company, etc. (meaning a shareholders meeting or other body equivalent thereto; hereinafter referred to as the "decision-making body" in this paragraph), and a subsidiary company, etc. prescribed in the same item and the items of the preceding paragraph means the other company, etc. of which the decision-making body is controlled by the parent company, etc. In this case, when the decision-making body of any other company, etc. is either controlled by the parent company, etc. and a subsidiary company, etc. or by a subsidiary company, etc., that other company, etc. is deemed to be a subsidiary company, etc. of the parent company, etc.

(Persons Excluded from Large Companies)

Article 8 One specified by a Cabinet Order as prescribed in Article 24-2, item (i) of the Act (including when it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) is a stock company for which the amount reported as the stated capital on the balance sheet pertaining to the most recent business year is less than ten billion yen and the total amount of the amounts of liabilities reported on the balance sheet pertaining to the most

recent business year is less than one hundred billion yen.

Article 9 The person to be specified by Cabinet Order as prescribed in Article 24-2, item (ii) of the Act (including when it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) is any of the persons listed in the following items:

- (i) an issuer (meaning an issuer prescribed in Article 2, paragraph (5) of the Financial Instruments and Exchange Act; the same applies in the following item and Article 30, items (iii) and (vi)) who needs to submit a securities report (meaning a securities report prescribed in Article 24, paragraph (1) of the same Act) due to falling under Article 24, paragraph (1), item (iii) or (iv) of the same Act (including when it is applied mutatis mutandis pursuant to Article 27 of the same Act), and satisfies all of the following requirements:
 - (a) the amount of stated capital reported on the balance sheet pertaining to the most recent business year (or the amount of net assets on the issuer's balance sheet in the case of an issuer of securities investment rights, etc. (meaning securities investment rights, etc. prescribed in Article 3, item (iii) of the Financial Instruments and Exchange Act) that is deemed to be securities pursuant to the provisions of Article 2, paragraph (2) of the same Act, or in the case of an issuer of those listed in Article 1, item (ii) or specified by Article 2-8 of the Order for Enforcement of the Financial Instruments and Exchange Act) is less than five hundred million yen, or the amount of net sales reported on the profit and loss statement pertaining to the most recent business year (including other figures specified by Cabinet Office Order as equivalent thereto; hereinafter the same applies in this item) or the amount obtained by dividing by three the total amount of net sales reported in the profit and loss statements pertaining to the business years that ended in the three most recent years, whichever is larger, is less than one billion yen;
 - (b) the total amount of liabilities reported on the balance sheet pertaining to the most recent business year is less than twenty billion yen;
- (ii) an issuer of specified securities prescribed in Article 5, paragraph (1) of the Financial Instruments and Exchange Act (including cases where it is applied mutatis mutandis pursuant to Article 27 of the same Act) (excluding securities listed in the items under Article 6 of the same Act; hereinafter referred to as "specified securities" in this item), who does not fall under any of the following items:
 - (a) an issuer who intends to give notification under the provisions of Article 4, paragraphs (1) through (3) of the Financial Instruments and Exchange Act with regard to securities other than specified securities;
 - (b) an issuer who needs to submit a securities report prescribed in Article 24,

paragraph (1) of the Financial Instruments and Exchange Act pursuant to the provisions of the same paragraph (including the cases where it is applied mutatis mutandis pursuant to Article 27 of the same Act) with regard to securities other than specified securities.

(Scope of Large Companies)

Article 10 The person to be specified by Cabinet Order as prescribed in Article 24-2, item (iv) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) is any of the following:

- (i) a federation of Shinkin banks, the district of which comprises the entire nation;
- (ii) a federation of labor banks, the district of which comprises the entire nation;
- (iii) a federation of credit cooperatives, the district of which comprises the entire nation;
- (iv) the Norinchukin Bank;
- (v) an incorporated administrative agency that needs to be audited by an accounting auditor pursuant to the provisions of Article 39, paragraph (1) of the Act on General Rules for Incorporated Administrative Agencies (Act No. 103 of 1999);
- (vi) a national university corporation or an inter-university research institute corporation;
- (vii) a local incorporated administrative agency that needs to be audited by an accounting auditor pursuant to the provisions of Article 35, paragraph (1) of the Local Incorporated Administrative Agency Act (Act No. 118 of 2003).

(Consecutive Accounting Periods Concerning Prohibition of Audit-Related Services)

Article 11 The consecutive accounting periods to be specified by Cabinet Order not exceeding seven accounting periods as prescribed in Article 24-3, paragraph (1) of the Act (including cases where it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) is seven accounting periods.

(Period for Prohibition of Audit-Related Services)

Article 12 The accounting period to be specified by Cabinet Order which comes in or after the accounting period following the consecutive accounting periods as prescribed in Article 24-3, paragraph (1) of the Act (including cases where it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) is two accounting periods.

(Persons Deemed to be Large Companies)

Article 13 The person to be specified by Cabinet Order as prescribed in Article 24-3 , paragraph (2) (including cases where it is applied mutatis mutandis pursuant to Article 16-2 , paragraph (6) of the Act) and Article 34-11-5, paragraphs (1) and (2) is the following persons, and the date to be specified by Cabinet Order as prescribed in these provisions are the dates specified in the following items for the categories of persons set forth respectively in those items:

- (i) a person who intends to have the securities issued by the relevant person listed on a financial instruments exchange (meaning a financial instruments exchange prescribed in Article 2, paragraph (16) of the Financial Instruments and Exchange Act; the same applies hereinafter) -- the day on which the relevant securities are listed on the financial instruments exchange;
- (ii) a person who intends to have the securities issued by the relevant person registered with an approved financial instruments firm association (meaning an approved financial instruments firm association prescribed in Article 2, paragraph (13) of the Financial Instruments and Exchange Act; the same applies hereinafter) pursuant to the provisions of Article 67-11, paragraph (1) of the Financial Instruments and Exchange Act -- the day on which the relevant securities are registered with the approved financial instruments firm association pursuant to the provisions of Article 67-11, paragraph (1) of the same Act.

(Amount Corresponding to Audit Fees)

Article 14 The amount to be specified by a Cabinet Order as prescribed in the provisions of Article 31-2, paragraph (1), item (i) (including the cases where it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) and Article 34-21-2, paragraph (1), item (i) of the Act is the total amount of the values of money and any other property that have been paid or should be paid as a consideration for the services set forth in Article 2, paragraph (1) of the Act provided by a certified public accountant (including a registered foreign certified public accountant prescribed in Article 16-2, paragraph (5) of the Act) or an auditing corporation for financial documents of the company or any other person prescribed in these provisions during the accounting period prescribed in these provisions.

(Substantial Interest Pertaining to an Auditing Corporation)

Article 15 The relationship to be specified by a Cabinet Order as prescribed in Article 34-11, paragraph (2) of the Act is the relationships between an auditing corporation or its partner and the client company being audited, etc. prescribed

in the following items for the cases set forth respectively in those items:

- (i) when the auditing corporation is a creditor or a debtor of the client company being audited, etc.; excluding, however, the case where the claim or obligation of the auditing corporation is based on a contract with the client company being audited, etc. concerning the services set forth in Article 2, paragraph (1) or (2) of the Act or is a claim or obligation with special circumstances as specified by a Cabinet Office Order;
- (ii) when the auditing corporation receives benefits prescribed in Article 7, paragraph (1), item (v) from the client company being audited, etc.;
- (iii) when the auditing corporation receives benefits prescribed in Article 7, paragraph (1), item (v) from an officer, etc. of the client company being audited, etc. or a person who has or had been in such a position within the past year or during the audit-related period;
- (iv) when any partner of the auditing corporation is an employee of the client company being audited, etc.;
- (iv)-2 when any partner of the auditing corporation is an officer, etc. or employee of the parent company, etc. (meaning the parent company, etc. prescribed in Article 7, paragraph (3)) or a subsidiary company, etc. (meaning a subsidiary company, etc. prescribed in the same paragraph) of the client company being audited, etc.;
- (v) when any partner of the auditing corporation receives continuous remuneration from the client company being audited, etc. through certified tax accountant services;
- (vi) excluding cases falling under the preceding three items, when a person who participated, as a partner of the auditing corporation, in the service set forth in Article 2, paragraph (1) of the Act performed by the auditing corporation for the financial documents of the client company being audited, etc., a partner who received the designation under the provisions of Article 34-10-4, paragraph (1) of the Act with regard to attestation of the financial documents of the client company being audited, etc., or a partner who received the designation under the provisions of Article 34-10-5, paragraph (1) of the Act (excluding a person who is deemed to have received the designation pursuant to the provisions of paragraph (5) or (6) of the same Article), or the spouse of this person has any of the following relationships with the client company being audited, etc.:
 - (a) the relationship prescribed in Article 24, paragraph (1), item (ii) or paragraph (3) of the Act;
 - (b) the relationship prescribed in Article 7, paragraph (1), items (i) through (viii):
- (vii) excluding the cases that fall under item (iv) through the preceding item, when more than half of the partners of the auditing corporation have, with

regard to partners themselves or their spouses, the relationship set forth in either (a) or (b) of the same item with the client company being audited, etc.

(Consecutive Accounting Periods Concerning Prohibition of Audit-Related Services Pertaining to an Auditing Corporation)

Article 16 The consecutive accounting periods to be specified by Cabinet Order not exceeding seven accounting periods as prescribed in Article 34-11-3 of the Act are seven accounting periods.

(Period for Prohibition of Audit-Related Services Pertaining to an Auditing Corporation)

Article 17 The accounting period to be specified by a Cabinet Order which comes in or after the accounting period following the consecutive accounting periods as prescribed in Article 34-11-3 of the Act is two accounting periods.

(Issuer of Listed Securities)

Article 18 The person to be specified by a Cabinet Order as prescribed in Article 34-11-4, paragraph (1) of the Act is the following:

- (i) an issuer of securities listed on a financial instruments exchange;
- (ii) an issuer of securities registered with an approved financial instruments firm association pursuant to the provisions of Article 67-11, paragraph (1) of the Financial Instruments and Exchange Act.

(Consecutive Accounting Periods Concerning Prohibition of a Lead Engagement Partner of a Large Auditing Corporation from Performing Audit-Related Services)

Article 19 The consecutive accounting periods to be specified by Cabinet Order not exceeding five accounting periods as prescribed in Article 34-11-4, paragraph (1) of the Act is five accounting periods.

(Period for Prohibition of a Lead Engagement Partner of a Large Auditing Corporation from Performing Audit-Related Services)

Article 20 The accounting period to be specified by Cabinet Order which comes during or after the accounting period following the consecutive accounting periods as prescribed in Article 34-11-4, paragraph (1) of the Act is five accounting periods.

(Replacement of Terms Concerning a Limited Liability Auditing Corporation)

Article 21 In the case of applying mutatis mutandis the provisions of the Companies Act to a limited liability auditing corporation (meaning a limited liability auditing corporation prescribed in Article 1-3, paragraph (4) of the

Act) pursuant to the provisions of Article 34-23, paragraph (1) of the Act, the phrase "without delay after the determination of the Subscription Requirements" in Article 207, paragraph (1) of the Companies Act is deemed to be replaced with "without delay."

(Minimum Amount of Stated Capital of a Limited Liability Auditing Corporation)

Article 22 The amount to be specified by Cabinet Order as prescribed in Article 34-27, paragraph (1), item (iii) of the Act is equivalent to the amount obtained by multiplying the total number of partners by one million yen.

(Special Interest Pertaining to a Limited Liability Auditing Corporation)

Article 23 The special interest to be specified by Cabinet Order as prescribed in Article 34-32, paragraph (1) of the Act is the relationships between a certified public accountant (including a registered foreign certified public accountant prescribed in Article 16-2, paragraph (5) of the Act; the same applies in item (i)) or an auditing corporation and a registered limited liability auditing corporation (meaning a registered limited liability auditing corporation prescribed in Article 34-27, paragraph (1), item (ii), (b) of the Act; the same applies hereinafter) listed in the following items for the cases set forth respectively in those items:

- (i) when the certified public accountant or their spouse is a partner of the registered limited liability auditing corporation or has been a partner within the past year;
- (ii) when the spouse of any partner of the auditing corporation is a partner of the registered limited liability auditing corporation;
- (iii) when any partner of the auditing corporation or their spouse has been a partner of the registered limited liability auditing corporation within the past year;
- (iv) when there is a relationship specified by Cabinet Office Order as a case equivalent to any of the cases listed in the preceding three items.

(Matters Pertaining to Special Provisions on Preparation of Financial Statements)

Article 24 The amount of account to be specified by Cabinet Order as set forth in the proviso to Article 34-32, paragraph (1) of the Act is the amount of income, and the standard to be specified by Cabinet Order as set forth in the proviso to the same paragraph is that the amount of income be one billion yen or more.

(Amount of Money to be Deposited)

Article 25 The amount to be specified by Cabinet Order as prescribed in Article

34-33, paragraph (1) of the Act is calculated by multiplying the total number of partners by two million yen.

(Contents of a Contract in Lieu of All or Part of the Deposit Money)

Article 26 Where a registered limited liability auditing corporation concludes a contract set forth in Article 34-33, paragraph (3) of the Act, the counter party is a bank or other financial institution specified by a Cabinet Office Order and the contents of the contract must conform to the following requirements:

- (i) when an order by the Prime Minister under the provisions of Article 34-33, paragraph (4) of the Act is received, the deposit money pertaining to the relevant order is deposited without delay for the registered limited liability auditing corporation;
- (ii) the contract is valid for a period of one year or more;
- (iii) the parties to the contract are unable to cancel the contract or change the contents of the contract, except where the approval of the Commissioner of the Financial Services Agency has been obtained.

(Procedure for Exercise of Right)

Article 27 (1) A person who has the right set forth in Article 34-33, paragraph (6) of the Act (hereinafter simply referred to as the "right" in this Article) may file an application to exercise the right with the Commissioner of the Financial Services Agency.

- (2) When an application set forth in the preceding paragraph has been filed, and the Commissioner of the Financial Services Agency finds the application to be well-grounded, the Commissioner must give public notice to persons who have rights on the deposit money that has been deposited pursuant to the provisions of Article 34-33, paragraph (1), (2), (4) or (8) of the Act to the effect that they are to report their rights within a certain period of not less than sixty days, and that they are to be excluded from the distribution procedure if they fail to make the report within the relevant period, and must give notice to the person who has filed the application set forth in the preceding paragraph (referred to as the "applicant" in the following paragraph and paragraph (4)) and the registered limited liability auditing corporation pertaining to the relevant deposit money (where the registered limited liability auditing corporation has concluded the contract set forth in paragraph (3) of the same Article, this includes the counter party to the contract; the same applies in paragraphs (4) and (5)).
- (3) After the public notice under the provisions of the preceding paragraph has been given, the procedure for execution of right is not obstructed even when the applicant has withdrawn their application.
- (4) The Commissioner of the Financial Services Agency must conduct an

investigation of rights without delay after the period set forth in paragraph (2) has passed. In this case, the Commissioner of the Financial Services Agency must give the applicant, the persons who reported their rights within the relevant period, and the registered limited liability auditing corporation an opportunity to produce evidence and state opinions with regard to the presence or absence of rights and the amount of claims guaranteed by the rights, by giving public notice and giving notice to the registered limited liability auditing corporation of the date and the place in advance.

- (5) The Commissioner of the Financial Services Agency, without delay, prepare a distribution table based on the results of the investigation under the provisions of the preceding paragraph, must give public notice thereof, and give notice thereof to the registered limited liability auditing corporation.
- (6) The distribution is implemented in accordance with the distribution table after one hundred ten days have passed from the day of the public notice under the provisions of the preceding paragraph.
- (7) When securities have been deposited pursuant to the provisions of Article 34-33, paragraph (9) of the Act, and the Commissioner of the Financial Services Agency deems necessary for exercise of the right, the Commissioner may convert the relevant securities into cash. In this case, the expense of the conversion into cash is deducted from the conversion value.

(Period for Making an Additional Deposit)

Article 28 The period to be specified by Cabinet Order as prescribed in Article 34-33, paragraph (8) of the Act is one month.

(Contents of a Liability Insurance Contract of a Limited Liability Auditing Corporation in Lieu of All or Part of Deposit Money)

Article 29 (1) Where a registered limited liability auditing corporation concludes a liability insurance contract as prescribed in Article 34-34, paragraph (1) of the Act (referred to as a "liability insurance contract" in the following paragraph), the counter party is a casualty insurance company (meaning a casualty insurance company prescribed in Article 2, paragraph (4) of the Insurance Business Act (Act No. 105 of 1995), including foreign casualty insurance companies, etc. (meaning foreign casualty insurance companies, etc. prescribed in paragraph (9) of the same Article) and underwriting members (meaning underwriting members prescribed in Article 219, paragraph (1) of the same Act) of a casualty insurance company that has received the specified casualty insurance business license set forth in paragraph (5) of the same Article) or any other person specified by Cabinet Office Order, and the contents of the contract must conform to the following requirements:

- (i) when a registered limited liability auditing corporation becomes liable to

compensate for damages that have arisen as a result of falling under Article 34-21, paragraph (2) item (i) or (ii) of the Act (hereinafter referred to as the "covered damages" in this Article), all or part of the loss arising from the registered limited liability auditing corporation compensating the relevant covered damages are covered;

- (ii) the contract is valid for a period of one year or more;
 - (iii) the parties to the contract are unable to cancel the contract or change the contents of the contract, except where the approval of the Commissioner of the Financial Services Agency has been obtained;
 - (iv) other requirements specified by a Cabinet Office Order.
- (2) The maximum amount that the Prime Minister may approve as the amount of the part of the deposit money that a registered limited liability auditing corporation that has concluded a liability insurance contract is allowed to refrain from depositing as set forth in Article 34-34, paragraph (1) of the Act is an amount equivalent to the amount that deducts from the amount of the deposit money the amount obtained by multiplying the total number of partners by one million yen; provided, however, that the Prime Minister may approve that all of the deposit money need not be deposited where the liability insurance contract covers all of the loss arising from compensation of covered damages.

(Securities Subject to Financial Documents of a Foreign Company)

Article 30 The securities to be specified by a Cabinet Order as prescribed in Article 34-35, paragraph (1) of the Act are the following:

- (i) beneficiary certificates of a foreign investment trust prescribed in Article 2, paragraph (1), item (x) of the Financial Instruments and Exchange Act;
- (ii) foreign investment securities prescribed in Article 2, paragraph (1), item (xi) of the Financial Instruments and Exchange Act;
- (iii) beneficiary certificates of beneficiary certificate-issuing trusts provided in Article 2, paragraph (1), item (xiv) of the Financial Instruments and Exchange Act (limited to those issued by foreign persons);
- (iv) securities set forth in Article 2, paragraph (1), item (xvii) of the Financial Instruments and Exchange Act that have the nature of securities set forth in item (iv), item (v), items (vii) through (ix) or items (xii) through (xvi) of the same paragraph;
- (v) securities set forth in Article 2, paragraph (1), item (xviii) of the Financial Instruments and Exchange Act;
- (vi) securities set forth in Article 2, paragraph (1), item (xix) or (xx) of the Financial Instruments and Exchange Act (limited to those issued by foreign issuers);
- (vii) securities or certificates set forth in Article 1, item (i) of the Order for

Enforcement of the Financial Instruments and Exchange Act;
(viii) rights set forth in Article 2, paragraph (2), item (ii), (iv) or (vi) of the Financial Instruments and Exchange Act that are deemed to be securities pursuant to the provisions of the same paragraph.

(Organization and Operation of the Qualification Screening Board)

Article 31 (1) The chairperson of the qualification screening board presides over the board affairs.

- (2) The qualification screening board may not hold a meeting and adopt a resolution unless a majority of the board members are present.
- (3) The business of the qualification screening board is resolved by a majority of the board members present, and in the case of a tie vote, it is resolved by the chairperson.
- (4) Beyond what is provided in the preceding three paragraphs, necessary matters concerning the organization and operation of the qualification screening board are specified by the Constitution of the Japanese Institute of Certified Public Accountants.

(Exclusions from the Authority Delegated to the Commissioner of the Financial Services Agency)

Article 32 The authority to be specified by Cabinet Order as prescribed in Article 49-4, paragraph (1) of the Act are the following:

- (i) appointment of the chairperson and commissioners of the board under the provisions of Article 37-2, paragraphs (1) and (2) of the Act;
- (ii) dismissal of the chairperson or a commissioner of the board under the provisions of Article 37-2, paragraph (3) and Article 37-5 of the Act;
- (iii) permission under the provisions of Article 37-6, paragraph (3) of the Act;
- (iv) appointment of examiners under the provisions of Article 38, paragraph (2) of the Act.

(Delegation of Authority Concerning Foreign Audit Firms to the Board)

Article 33 From the authority delegated to the Commissioner of the Financial Services Agency pursuant to the provisions of Article 49-4, paragraph (1) of the Act (hereinafter referred to as the "Commissioner's authority"), the following authority are delegated to the board; provided, however, that this does not preclude the Commissioner of the Financial Services Agency from exercising the authority themselves:

- (i) order to submit a report or materials under the provisions of Article 49-3-2, paragraph (1) of the Act;
- (ii) on-site inspection under the provisions of Article 49-3-2, paragraph (2) of the Act.

(Delegation of Authority Concerning Professional Accountancy Education
Program Bodies to Directors General of Local Finance Bureaus)

Article 34 From the commissioner's authority, the authority for acceptance of the report under the provisions of Article 16, paragraph (6) of the Act is delegated to the director general of the local finance bureau having jurisdiction over the location of the principal office of the professional accountancy education program body, etc. prescribed in paragraph (1) of the same Article (the Director-General of the Fukuoka Local Finance Branch Bureau where the location is within the jurisdiction of the Fukuoka Local Finance Branch Bureau).

(Delegation of Authority Concerning Auditing Corporations to Directors
General of Local Finance Bureaus)

Article 35 From the commissioner's authority, the following authority is delegated to the director general of the local finance bureau having jurisdiction over the location of the principal office of the auditing corporation (the Director-General of the Fukuoka Local Finance Branch Bureau where the location is within the jurisdiction of the Fukuoka Local Finance Branch Bureau):

- (i) acceptance of the notification prescribed in Article 34-9-2, Article 34-10, Article 34-18, paragraph (3) and Article 34-19, paragraph (3) of the Act;
- (ii) acceptance of the business report, etc. prescribed in Article 34-16 of the Act.

(Delegation of Affairs Concerning the Implementation of the Certified Public
Accountant Examination to Directors General of Local Finance Bureaus)

Article 36 The board may delegate affairs concerning the implementation of the certified public accountant examination, excluding the following, to the director general of the local finance bureau having jurisdiction over the place where the certified public accountant examination will be implemented (the Director-General of the Fukuoka Local Finance Branch Bureau where the place is within the jurisdiction of the Fukuoka Local Finance Branch Bureau):

- (i) decision on passing an examination;
- (ii) recognition set forth in Article 10, paragraph (2) of the Act;
- (iii) revocation of a decision on passing an examination or prohibition from taking an examination under the provisions of Article 13-2 of the Act;
- (iv) preparation of problems and grading of results as set forth in Article 38, paragraph (1) of the Act.

**Supplementary Provisions [Cabinet Order No. 233 of August 3, 2007]
[Extract]**

(Effective Date)

Article 1 This Cabinet Order comes into effect as of the day of enforcement of the Revising Act.

(Transitional Measures Concerning Application of Penal Provisions)

Article 64 With regard to the application of penal provisions to acts committed prior to the day of enforcement and to acts committed after the day of enforcement where the provisions then in force remains applicable pursuant to the provisions of these Supplementary Provisions, the provisions then in force remains applicable.

**Supplementary Provisions [Cabinet Order No. 235 of August 3, 2007]
[Extract]**

(Effective Date)

Article 1 This Cabinet Order comes into effect as of October 1, 2007.

(Transitional Measures Concerning Penal Provisions)

Article 41 Prior laws continue to govern the applicability of penal provisions to acts committed before the date of enforcement of this Cabinet Order.