

Cabinet Office Order on the System for Ensuring the Appropriateness 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 as 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 as 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 particulars 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 using an internal control audit report prepared by a certified public accountant (including a foreign certificated public accountant as specified in Article 16-2, paragraph (5) of the Certified Public Accountants Act (Act No. 103 of 1948); the same applies hereinafter) or an audit corporation that has audited the internal control

report.

- (3) The internal control audit report referred to 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, which were made public by the Business Accounting Council as specified 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 prescribed 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 prescribed 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 specified 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 particulars concerning a disclosure thereof that has a significant influence on the reliability of financial statements;
- (ii) internal controls over financial reports: a 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 pursuant to the provisions of 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 the provisions of 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 specified in Article 24, paragraph (8) of the Act, as applied

mutatis mutandis pursuant to Article 24-4-4, paragraph (6) of the Act (including as 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: an audit certification performed by a certified public accountant or audit corporation under Article 193-2, paragraph (1) of the Act;
- (viii) internal control audit: an audit certification performed by a certified public accountant or audit corporation under Article 193-2, paragraph (2) of the Act;
- (ix) company submitting consolidated financial statements: an 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 significant influence on the financial reports.

(System for Ensuring the Appropriateness of Documentation on Financial Calculation and of Other Information)

Article 3 The system specified by Cabinet Office Order necessary for ensuring the appropriateness of documentation on financial calculations and of other information concerning the company which is a member company of the corporate group and the relevant company as specified 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 under Article 24-4-4, paragraph (1) or a foreign company internal control report under Article 24, paragraph (8) as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6), or documents pertaining to error corrections therein, it must appoints a person domiciled in Japan having 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

(Contents of an 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 according to the categories listed in the respective items, and must submit it together with the annual securities report under 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 name is included in the internal control report has the legitimate authority concerning the 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 the 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 of the company for the fiscal year which ends on the last day thereof as the reference date.

(2) If the reference date is changed due to a change in account closing date 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 fiscal year differs from the consolidated account closing date (hereinafter referred to as the "consolidated account closing date" in this paragraph) of the company submitting an internal control report, if 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 fiscal year, except when a material change is made to the internal control over financial reports of the consolidated subsidiary company from the day following

the last day of the consolidated subsidiary company's fiscal year to the consolidated closing date 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 preparing the internal control report may be conducted 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 fiscal year.

Chapter III Auditing of Internal Controls over Financial Reports

(Contents of an Internal Control Audit Report)

Article 6 (1) On an internal control audit report specified in Article 1, paragraph (2) of the Act, a certified public accountant or a representative of an audit corporation must include the following particulars concisely and clearly, and must write the date of preparation and sign it in person and affix their seal thereto. In this case, if an audit corporation prepares the internal control audit report, in addition to the representative of the audit corporation, 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 if the internal control audit report is the designated attestation (meaning a designated attestation as specified in Article 34-10-4, paragraph (2) of the Certified Public Accountants Act) or the specified attestation (meaning a specified attestation 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 attestation or serving as a 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 attestation must write the date of preparation and sign it in person and affix their seal thereto:

- (i) the following particulars concerning opinions of the certified public accountant or the audit corporation conducting the internal control audit:
 - (a) the scope of the internal control report subject to the internal control audit pertaining to those opinions;
 - (b) 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;

- (ii) the grounds for the opinions set forth in (b) of the preceding item;
 - (iii) the responsibility of the management and the company auditor, etc. (meaning a company auditor, board of company auditors, audit and supervisory committee, or audit committee; the same applies in paragraph (4));
 - (iv) the responsibility of the certified public accountant or the audit corporation conducting the internal control audit;
 - (v) additional information; and
 - (vi) the interests which should be clearly indicated pursuant to the provisions of Article 25, paragraph (2) of the Certified Public Accountants Act (including as 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 opinions set forth in item (i), (b) of the preceding paragraph, the particulars specified in the following items are to be included for the respective categories of opinions set forth 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 particular: a statement that, apart from an excepted particular, 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; or
 - (iii) an adverse opinion: a statement that the internal control report subject to the internal control audit is inappropriate.
- (3) With regard to the grounds for the opinions set forth in paragraph (1), item (ii), the following particulars are to be included:
- (i) 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 audit corporation;
 - (ii) 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 the opinions;
 - (iii) if the opinion set forth in paragraph (1), item (i), (b) falls under the categories of opinion set forth in item (ii) of the preceding paragraph, the particulars set forth in (a) or (b) below:
 - (a) the excepted inappropriate particular and the impact of the excepted

- particular on the financial statement audit; or
- (b) the impact on the financial statement audit exerted by the important audit procedure that could not be implemented and by the fact that the relevant important audit procedure could not be implemented;
 - (iv) if the opinion set forth in paragraph (1), item (i), (b) falls under the categories of opinion set forth in item (iii) of the preceding paragraph, the reason that the internal control report subject to the internal control audit is inadequate and the impact on the financial statement audit exerted by the fact that the relevant internal control report is inappropriate.
- (4) With regard to the responsibility of the management and the company auditor, etc. set forth in paragraph (1), item (iii), the following particulars 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) a statement that the company auditor, etc. has a responsibility to monitor and verify the status of the designing and implementation of the internal controls over financial reports
 - (iii) 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.
- (5) With regard to the responsibility of the certified public accountant or the audit corporation conducting the internal control audit set forth in paragraph (1), item (iv), the following particulars are to be included:
- (i) a statement that the certified public accountant or the audit corporation 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 criteria for the internal control audit pertaining to financial reports require the certified public accountant or the audit corporation conducting the internal control audit to reasonably assure that there is no material misstatement in the internal control report;
 - (iii) 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;
 - (iv) 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;
 - (v) a statement that the selection and application of the audit procedures for the internal control audit is based on the judgment by the certified public accountant or the audit corporation.

- (6) With regard to the particulars set forth in paragraph (1), item (v), the following particulars and any other particulars that the certified public accountant or the audit corporation conducting the internal control audit has determined to be appropriate to be emphasized or otherwise explained are to be included separately:
- (i) if there is a statement in the internal control report of the details of the material inadequacy to be disclosed and the reason that the material inadequacy to be disclosed has not been rectified, a statement that there is the material inadequacy to be disclosed and the impact 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 fiscal year, the details of those measures;
 - (iii) post-balance sheet events which have a significant influence on the evaluation of the validity of the internal controls over financial reports; and
 - (iv) if an unqualified opinion is expressed on the internal control report that the failure to implement some of the management's evaluation procedures was attributable to unavoidable circumstances, the scope for which a sufficient evaluation procedures could not be implemented and the reason therefor.
- (7) If the certified public accountant or the audit corporation is unable to gain a basis to allow for the expression of opinions as set forth in paragraph (1), item (i), (b) because some important audit procedures were not implemented or due to any other reason, notwithstanding the provisions of that paragraph, the certified public accountant or the audit corporation must state that the opinions set forth in (b) of that item will not be expressed and the reason therefor on the internal control audit report.

Article 7 The internal control audit report specified in Article 1, paragraph (2) is to be prepared together with the audit report specified 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 is a compelling reason.

Article 8 When conducting the internal control audit, the certified public accountant or the audit corporation 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 particulars concerning the internal control audit in the outline report specified 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 The case where the company underwent a certification that is found to be equivalent to an audit certification pursuant to the provisions of Cabinet Office Order, as specified in Article 193-2, paragraph (2), item (i) of the Act, is the case where the company underwent a certification by way of accepting an offer of service in regard to a foreign company's financial documents (meaning a foreign company's financial documents as specified in Article 34-35, paragraph (1) of the Certified Public Accountants Act) from a foreign audit corporation, etc. (meaning a foreign audit corporation, etc. as specified 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 services specified 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 specified 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 a 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 recorded as the stated capital on the consolidated balance sheet or the balance sheet pertaining to the fiscal year immediately preceding the business year of the day on which the listed company, etc. falls under the category of 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 as applied mutatis pursuant to Article 27) is equal to or more than ten billion yen, or the sum of the amounts recorded in liabilities section on the consolidated balance sheet or the balance sheet is equal to or more than one hundred billion yen.

(Relationship Between the Certified Public Accountant or the Audit Corporation and the Audited Company Which Has Special Interest)

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

(i) the case where a special interested party has the relationship with another special interested party specified in Article 24, paragraph (1) or (3) of the Certified Public Accountants Act (including as applied mutatis mutandis

- pursuant to Article 16-2, paragraph (6) of that Act);
- (ii) the case where the service referred to in Article 2, paragraph (1) of the Certified Public Accountants Act may not be provided pursuant to the provisions of Article 24-2 of that Act (including as applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of that Act);
 - (iii) the case where the audit-related service specified in Article 24-3, paragraph (3) of the Certified Public Accountants Act may not be provided pursuant to the provisions of Article 24-3, paragraph (1) of that Act (including as applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of that Act);
 - (iv) the case where a person who works as an assistant in conducting an audit (hereinafter referred to as an "assistant" of a company which intends to receive an audit certification (hereinafter referred to as the "audited company") has any of the relationships with another special interested party 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) through (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 consanguinity of the certified public accountant has any of the relationships with another special interested party 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 an assistant has any of the relationships with another interested party 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) through (vii) of the Order for Enforcement of the Certified Public Accountants Act (with regard to an assistant, excluding the relationships set forth in item (vii) of that paragraph) with a consolidated subsidiary company (meaning a consolidated subsidiary company if an audited company is a domestic company or meaning a company equivalent to a consolidated subsidiary company if an audited company is a foreign company; the same applies hereinafter) or an equity method affiliate (if an audited company is a domestic company, any non-consolidated subsidiary company (meaning a non-consolidated subsidiary company as specified in Article 2, item (vi) of the Regulation on Consolidated Financial Statements; the same applies hereinafter) and any affiliate (meaning an affiliate as specified in Article 2, item (vii) of the Regulation on Consolidated Financial Statements; the same applies hereinafter) to which the equity method specified in Article 2, item (viii) of the Regulation on Consolidated Financial Statements is applied (if an

audited company is a foreign company; meaning any company equivalent to a non-consolidated subsidiary company and 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 audit corporations as specified in Article 193-2, paragraph (4) of the Act is the relationships with another special interested party falling under any of the following cases:
- (i) the case where a special interested party has the relationships with another special interested party specified in Article 34-11, paragraph (1) of the Certified Public Accountants Act;
 - (ii) the case where the service referred to in Article 2, paragraph (1) of the Certified Public Accountants Act may not be provided pursuant to the provisions of Article 34-11-2 of that Act;
 - (iii) the case where the partner of the audit corporation that provides the service for an audit certification for the audited company or the partner's spouse has the relationship with another special interested party specified in Article 34-11, paragraph (3) of the Certified Public Accountants Act;
 - (iv) the case where an assistant has any of the relationships with another special interested party 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) through (vi), item (viii) or (ix) of the Order for Enforcement of the Certified Public Accountants Act;
 - (v) the case where any relative within the second degree of consanguinity of the partner who provides the service for an audit certification for the audited company has any of the relationships with another special interested party 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) the case where an audit corporation has any of the relationships set forth in Article 34-11, paragraph (1), item (i) of the Certified Public Accountants Act or in Article 15, items (i) through (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 audit corporation who provides the service for the audit certification for the audited company or the partner's spouse or assistant has any of the relationships with another special interested party 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) through (vii) of the Order for Enforcement of the Certified Public Accountants Act (with regard to an assistant, excluding

- the relationships 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 audit corporation 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 relationships with another special interested party 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 audit corporation 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) through (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 if the Commissioner of the Financial Services Agency orders to submit an amendment report under 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 calculations disclosed in its home country (including the state or any other region where the company is headquartered; the same applies hereinafter) as financial documents if the Commissioner finds that those do not impair the public interest or protection of investors, when 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 similar thereto) as the internal control report if the Commissioner finds that those do not impair 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 particulars specified as deemed necessary by the Commissioner of the Financial Services Agency, be the same as the terminology, forms, and preparation methods used in the home country.

- (2) In the case where the documents on financial calculations disclosed by a foreign company in its home country do not qualify as those approval by the Commissioner of the Financial Services Agency based on the provisions of the preceding paragraph, when the Commissioner of the Financial Services Agency approves the foreign company to submit documents on financial calculations disclosed in an area outside Japan other than its home country as financial documents if the Commissioner finds that those do not impair the public interest or protection of investors and 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 similar thereto) as the internal control report that the Commissioner finds that those do not impair 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 particulars specified as deemed necessary by the Commissioner of the Financial Services Agency, be the terminology, forms, and preparation methods being used in the region outside Japan other than its home country.

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

- (i) the terminology, forms, and preparation methods that are being followed when preparing the internal control report;
- (ii) material differences between the internal control report and the internal control report to be prepared without applying the provisions of the preceding Article thereto; and
- (iii) material differences between the internal control report and the internal control audit in the case where the foreign audit corporation, etc. implements the certification which is deemed to be equivalent to the audit certification referred to in Article 193-2, paragraph (2), item (i) of the Act.

(Requirement for Submission of the Foreign Company Internal Control Report)

Article 14 The cases specified by Cabinet Office Order as specified 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 that is 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 specified in Article 24, paragraph (8) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6)) if the Commissioner finds that it does not impair 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 the provisions of 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 specified in Article 24, paragraph (9) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6) of the Act (including as 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 particulars 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 specified in Article 24, paragraph (9) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6) of the Act are the particulars equivalent to those to be included in the following items in Form No. 2:

- (i) [1 particulars concerning the fundamental framework for the internal controls over financial reports];
- (ii) [2 particulars concerning the scope of evaluation, the reference date, and the procedures for evaluation];
- (iii) [3 particulars concerning the evaluation results];
- (iv) [4 supplementary particulars]; and
- (v) [5 special particulars].

(3) What is specified by Cabinet Office Order specified in Article 24, paragraph (9) of the Act as applied mutatis mutandis pursuant to Article 24-4-4, paragraph (6) of the Act is as follows:

- (i) a document written in Japanese that contains the particulars equivalent to the particulars set forth in the items of Article 13 concerning the foreign company internal control report;
- (ii) a comparative table of the contents of the internal control report using a Form No. 2 and the contents of the foreign company internal control report

- which are equivalent to the particulars;
- (iii) a document written in Japanese that contains particulars that are found to be necessary and instructed by the Commissioner of the Financial Service Agency in light of the public interest or protection of investors;
 - (iv) a document proving that the representative whose name is included in the foreign company internal control report has the legitimate authority concerning the 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 the submission of the foreign company internal control report; and
 - (vi) a document prepared by using a Form No. 3.
- (4) If the documents listed in items (iv) and (v) of the preceding paragraph are written neither in Japanese nor in English, a translation thereof must be attached.

(Requirement for Submission of 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 as applied mutatis mutandis pursuant to Article 27 of the Act; the same applies in paragraph (2) of the following Article) are the 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 specified in that paragraph; the same applies in paragraph (1) of the following Article) in lieu of the amendment report, if the Commissioner finds that those do not impair 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 specified 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 particulars in Japanese:
- (i) the submission date of the internal control report and its supplementary documents subject to amendment;
 - (ii) the reason for the amendment; and
 - (iii) the parts subject to amendment and the details of the amendments.

Chapter V Miscellaneous Provisions

Article 18 In the case where a specified company complying with designated international accounting standards specified 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 if 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 following the terminology, forms, and preparation methods that are required to use for the issuance, etc. of American depositary receipts (hereinafter referred to as "U.S.-style consolidated financial statements") as the consolidated financial statements under the Act, if the Commissioner finds that those do not impair 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 the 必要 particulars that are found to be necessary and as instructed by the Commissioner of the Financial Services Agency, be the terminology, forms, and preparation methods being required in the United States for an internal control report.

Article 19 The particulars in the internal control report under the preceding Article must be entered in Japanese.

Article 20 The following particulars are to be added to the internal control report under Article 18:

- (i) the term, forms, and preparation methods that are being followed when preparing the internal control report; and
- (ii) material differences between the internal control report and the internal control report to be prepared without applying the provisions of Article 18 thereto.

Article 21 (1) When 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 the provisions of Article 18, the audit certification to be performed on the internal control report prepared by the company may, except for the particulars that are found to be necessary and as instructed by the Commissioner of the Financial Services Agency, 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 to be performed on the internal control report specified in the preceding paragraph must contain the following particulars:
 - (i) the criteria that are being followed when preparing the internal control audit report; and
 - (ii) material differences between the internal control audit report and the internal control audit report to be prepared without applying the provisions of the preceding paragraph thereto.