



Mr. James R. Doty
Chairman
Public Company Accounting Oversight Board
1666 K street, NW
Washington D.C., 20006
United States

October 6, 2011

EXCHANGE OF LETTERS BETWEEN THE FINANCIAL SERVICES AGENCY
AND CERTIFIED PUBLIC ACCOUNTANTS AND AUDITING OVERSIGHT
BOARD OF JAPAN AND THE PUBLIC COMPANY ACCOUNTING OVERSIGHT
BOARD OF THE UNITED STATES

Dear Mr. Doty:

The Financial Services Agency (“JFSA”) and Certified Public Accountants and Auditing Oversight Board (“CPAAOB”) in Japan and the Public Company Accounting Oversight Board (“PCAOB”) in the United States confirm as follows.

I. Purpose of Exchange of Letters

- A. The JFSA/CPAAOB in Japan and the PCAOB in the United States each seek to improve the accuracy and reliability of audit reports so as to protect investors and to help promote public trust in the audit process and investor confidence in their respective capital markets. Given the global nature of capital markets, the JFSA/CPAAOB and the PCAOB recognize the need for cooperation in matters related to the oversight of auditors subject to the regulatory jurisdictions of both the JFSA/CPAAOB and the PCAOB.
- B. The purpose of this letter (“Letter”) is to facilitate cooperation between the Authorities to the extent permitted by their respective national laws in the oversight, inspections and investigations of auditors subject to the regulatory jurisdictions of both the JFSA/CPAAOB and the PCAOB.
- C. This Letter does not create any binding legal obligations or supersede domestic laws. This Letter does not give rise to a legal right on the part of the JFSA/CPAAOB, the PCAOB or any other governmental or non-governmental entity or any private person to challenge, directly or indirectly, the degree or manner of cooperation by the JFSA/CPAAOB or the PCAOB.

- D. This Letter does not prohibit the JFSA/CPAAOB or the PCAOB from taking measures with regard to the oversight of auditors that are different from or in addition to the measures set forth in this Letter. In particular, the Authorities are aware that if information and/or documents are not provided either by the requested Authority or the relevant auditor(s), and the requesting Authority determines that it cannot satisfy its regulatory obligations without the requested information and/or documents, the requesting Authority may take certain actions as allowed by its domestic laws, rules and regulations against the relevant auditor(s) for refusing to provide the requested information.

II. Definitions

“Auditor” means a public accounting firm, individual public accountant or a person associated with a public accounting firm that is subject to the regulatory jurisdiction of both the JFSA/CPAAOB and the PCAOB.

“Authority” or “Authorities” means the JFSA/CPAAOB and/or the PCAOB.

III. Purpose of Cooperation

The JFSA/CPAAOB and the PCAOB believe that it is in their common interest to cooperate in the oversight, including inspections and investigations, of auditors that fall within the regulatory jurisdiction of both Authorities to the extent that such cooperation is compatible with the Authorities’ respective laws and/or regulations, their important interests and their reasonably available resources. Cooperation is intended to permit the Authorities to meet their respective statutory oversight mandates.

IV. Scope of Cooperation

- A. Cooperation may include one Authority sharing with the other Authority information and/or documents, including non-public information and/or documents, relating to auditors that fall within the regulatory jurisdiction of both Authorities.
- B. Cooperation may include one Authority assisting, to the extent possible, the other Authority in an inspection or an investigation by performing activities that may include but are not limited to facilitating access to information; reviewing audit work papers and other documents; interviewing firm personnel; reviewing an auditor’s quality control system and/or performing other testing of the audit, supervisory and quality control procedures of an auditor.
- C. Cooperation in the context of an inspection or investigation does not cover a request for assistance or information to the extent that it involves an Authority obtaining on behalf of the other Authority information and/or

documents to which the requesting Authority is not entitled under its own laws or regulations.

- D. The scope of cooperation may vary over time and with each inspection or investigation.
- E. Cooperation in the context of an inspection also may include the exchange of information with respect to each Authority's respective inspection programs.
- F. The Authorities may at the request of either Authority consult on issues related to the matters covered by this Letter, and otherwise exchange views and share experiences and knowledge gained in the discharge of their respective duties to the extent consistent with their respective laws and regulations.

V. Exchange of Non-Public Information

- A. Upon request, an Authority may, in its discretion, provide to the other Authority non-public information and/or documents relating to auditors subject to the regulatory jurisdiction of both Authorities. For any exchange of such information and/or documents, the Authorities confirm that:
 - 1. Requests for such information and/or documents will be made in writing (including e-mail) and addressed to the requested Authority and will explain the context in which the request is being made and an indication of the date by which the information and/or documents is/are needed;
 - 2. Each request for such information and/or documents will be assessed on a case by case basis by the requested Authority to determine whether the information and/or documents can be provided pursuant to this Letter and applicable law. In any case where the request cannot be met in full within the desired time period, the requested Authority will inform the requesting Authority accordingly and will consider whether other relevant information or assistance can be given. If denying a request in part or in full, the requested Authority will inform the requesting Authority of the reasons for its denial;
 - 3. Any non-public information and/or documents provided will be used by the requesting Authority only as permitted or required by their respective authorizing statutes – which include the Certified Public Accountants Act in Japan and the Sarbanes-Oxley Act of 2002, as amended, in the United States – and any rules or regulations promulgated thereunder;

4. Except as provided in section VI of this Letter, the requesting Authority, and all current and former members of its governing body, employees and other associated persons, will maintain as confidential the non-public information and/or documents received from the other Authority;
5. Except as provided in sections VI (A) and (B) of this Letter, only individuals and entities that are independent¹ of the auditing profession will have access to the non-public information and/or documents provided;
6. The requesting Authority has established and will maintain such safeguards as are necessary and appropriate to protect the confidentiality of the information and/or documents, including storing the information and/or documents in a secure location when not in use;
7. The requesting Authority has provided to the other Authority a description of its applicable information systems and controls and a description of the laws and regulations of the government of the requesting Authority that are relevant to information access;
8. The requesting Authority will inform the other Authority if the safeguards, information systems, controls, laws or regulations referenced in paragraphs 6 and 7 above change in a way that would weaken the protection for the information and/or documents provided by the other Authority; and
9. The requesting Authority will, before complying with any legally enforceable demand it has received for such information and/or documents, notify the other Authority of the demand and make reasonable efforts to afford the other Authority an opportunity to articulate any legal exemptions, privileges, or objections.

VI. Exceptions to Confidentiality

- A. An Authority may issue public inspection reports as permitted or required by the law of that Authority's jurisdiction, including reports that identify the firm inspected and the inspection results. Before an Authority issues a public inspection report which includes non-public information and/or documents provided by the other Authority under this Letter with respect to an auditor that is located in the other Authority's jurisdiction and subject to the other

¹ Independent of the auditing profession means that the individual or entity is not a practicing auditor, affiliated with an audit firm, or a member of the governing body or staff of a professional organization.

Authority's jurisdiction, the Authority which intends to make such publication will notify the other Authority in advance of such publication.

- B. An Authority may publicly announce disciplinary proceedings and/or sanctions imposed upon auditors as permitted or required by the law of that Authority's jurisdiction. Before publicly announcing any disciplinary proceedings and/or sanctions imposed on an auditor that is located in the other Authority's jurisdiction and subject to the other Authority's jurisdiction, the Authority will give advance notice of the publication to the other Authority.
- C. An Authority may share non-public information and/or documents obtained from the other Authority under this Letter with certain law enforcement or regulatory authorities in its jurisdiction as follows. The PCAOB may share such information and/or documents only with those entities identified in section 105(b)(5)(B) of the Sarbanes-Oxley Act of 2002, as amended, which states that these entities should maintain such information as confidential and privileged. In case the PCAOB intends to transfer information and/or documents provided by the JFSA/CPAAOB in connection with cooperation under this Letter to a third party (except the U.S. Securities and Exchange Commission) as permissible under this section VI, the PCAOB will notify the other Authority in advance of such transfer. The JFSA/CPAAOB will not share such information and/or documents with any third party.
- D. If the PCAOB intends to share non-public information and/or documents obtained from the FSA/CPAAOB under this Letter with another entity (except the U.S. Securities and Exchange Commission) pursuant to paragraph C of this Section VI, the PCAOB will give the FSA/CPAAOB reasonable advance notice of its intent and request the consent of the FSA/CPAAOB.
- E. The FSA/CPAAOB will give consent to the onward sharing of information and/or documents if applicable law does not preclude them from providing consent. If the FSA/CPAAOB does not provide consent within a reasonable time, not to exceed ten days, the PCAOB will consult with the FSA/CPAAOB and consider that Authority's objections before sharing such information and/or documents.

VII. On-site Visits of Auditors

Where one Authority intends to conduct an on-site visit to auditors located in the other Authority's jurisdiction, such process should be conducted based on the terms and conditions set forth in the Annex to this Letter.

VIII. Duration

This Letter may be withdrawn for any reason by either Authority by written notice to the other Authority. If this Letter is withdrawn by either Authority, the

Authorities will continue to maintain as confidential, consistent with sections V and VI, any information and/or documents shared pursuant to this Letter.

With my best regards,

畑中龍太郎

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