

(Translations are not official, but for reference purposes only.)

Appendix B Revised Certified Public Accountants Law etc.¹

Certified Public Accountants Law (Law No. 103 of 1948)

Article 1-3 (Definitions)

- (1) The term “financial documents” as used in this Law refers to inventories of property, balance sheets, profit and loss statements, and other documents concerning finance (including those in electronic forms [which refers to records that are made in electronic form, magnetic form, or any other form that cannot be recognized by human senses to be provided for use in information processing by computers and that are specified by a Cabinet Office Ordinance; the same shall apply hereinafter] in the case where electromagnetic records are created in lieu of such documents).
- (2) The term “to publicize” as used in this Law means to give a public notice or to put matters in a state under which shareholders, creditors, and many other persons may be informed.
- (3) The term “audit firm” as used in this Law means an artificial person established under this Law for the purpose of systematically providing the services set forth in paragraph (1) of the following Article.
- (4)~(6) (omitted)
- (7) The term “foreign audit firm, etc.” as used in this Law means a person who has given notification under the provisions of Article 34-35(1).

Article 2 (Services of Certified Public Accountants)

- (1) A certified public accountant may make it his/her practice to audit or attest financial documents for fees at the request of others.
- (2) In addition to the services prescribed in the preceding paragraph, a certified public accountant may make it his/her practice to compile financial statements, to examine or plan financial matters, or to be consulted on financial matters for fees at the request of others, using the title of certified public accountant; provided, however, that this shall

¹ The revised Certified Public Accountants Law and the revised Financial Instruments and Exchange Law were passed by the Diet of Japan in June 2007 and are not subject to public consultation.

not apply to matters for which the provision of such services is restricted by other laws.
(3) The provisions of paragraph (1) shall not preclude a certified public accountant from engaging in the services set forth in the same paragraph as an assistant to another certified public accountant or an audit firm.

Chapter 5-4 Foreign Audit Firm, etc.

Article 34-35 (Notification)

- (1) A person who makes it his/her practice to audit or certify financial documents for fees at the request of others in a foreign state in compliance with the laws and regulations of the foreign state shall, when intending to provide services that are found to correspond to the services prescribed in Article 2(1) concerning financial documents to be submitted by an issuer of securities listed in Article 2(1)(xvii) of the Financial Instruments and Exchange Law that have the nature of securities listed in Item (ix) of the same paragraph or any other securities specified by a Cabinet Order or to be submitted by any other person specified by a Cabinet Office Ordinance pursuant to the provisions of the same Act (such financial documents shall be hereinafter referred to as “financial documents of a foreign company, etc.”), notify the Prime Minister in advance, pursuant to the provisions of a Cabinet Office Ordinance, provided, however, that this shall not apply to a person who is determined by a Cabinet Office Ordinance as one who is deemed to receive appropriate supervision of the administrative agency of the foreign state that supervises persons who provide services that are found to correspond to those set forth in the same paragraph concerning financial documents of the foreign company, etc. or an organization equivalent to such an administrative agency.
- (2) The Prime Minister shall, when notification under the provisions of the preceding paragraph has been given, make a public statement to that effect in an official gazette.

Article 34-36 (Matters To Be Notified)

- (1) A person who intends to give notification under the provisions of paragraph (1) of the preceding Article shall submit to the Prime Minister a notification document containing the following matters:
- (i) Name
 - (ii) Location of the principal office
 - (iii) In the case of an artificial person, the names of the board members
 - (iv) In the case of an artificial person, the amount of stated capital or the total amount

of equity

(v) Other matters specified by a Cabinet Office Ordinance

(2) The notification document under the provisions of the preceding paragraph shall attach the articles of incorporation and other documents containing matters specified by a Cabinet Office Ordinance.

Article 34-37 (Changes to the Notified Matters)

(1) A foreign audit firm, etc. shall, when there has been a change to any of the matters listed in the items of paragraph (1) of the preceding Article, notify the Prime Minister to that effect within two weeks pursuant to the provisions of a Cabinet Office Ordinance.

(2) The Prime Minister shall, when there has been notification under the provisions of the preceding paragraph, make a public statement to that effect in an official gazette.

Article 34-38 (Instructions, etc. to Foreign Audit Firms, etc.)

(1) The Prime Minister may, where a foreign audit firm, etc. has violated this Law or an order under this Law or where operation of the services that are found to correspond to the services set forth in Article 2(1) concerning financial documents of a foreign company, etc. by a foreign audit firm, etc. is found to be significantly inappropriate, and if he/she finds it necessary in assuring proper operation of such services, give the necessary instruction to said foreign audit firm, etc.

(2) The Prime Minister may, when he/she has given instructions under the provisions of the preceding paragraph and the foreign audit firm, etc. that has received the instructions fails to follow them, publicize such failure and the contents of said instructions.

(3) The Prime Minister shall, when he/she finds that after the publication under the provisions of the preceding paragraph the foreign audit firm, etc. of the same paragraph has made efforts for rectifying the matters under the instruction set forth in paragraph (1), publicize these findings and any other matters specified by a Cabinet Office Ordinance.

Article 34-39 (Notification of Abolition of Services, etc.)

(1) A foreign audit firm, etc. shall, when it has fallen under any of the following situations, notify the Prime Minister to that effect:

(i) When the foreign audit firm, etc. has ceased the services that are found to correspond to those set forth in Article 2(1) concerning the financial documents of a

foreign company, etc.,

- (ii) When the foreign audit firm, etc. has filed the same kind of petition as that for commencement of bankruptcy proceedings, commencement of civil reorganization proceedings or commencement of corporation reorganization proceedings in the state where its principal office is located under the laws and regulations of said state.
- (2) The Prime Minister shall, when there has been notification under the provisions of the preceding paragraph, make a public statement to that effect.

Article 35 (Establishment)

- (1) The Certified Public Accountants and Auditing Oversight Board (hereinafter referred to as the “Board”) shall be established within the Financial Services Agency.
- (2) The Board shall administer the following affairs:
- (i) Examining and deliberating matters concerning disciplinary actions against certified public accountants and registered foreign certified public accountants and actions against audit firms (excluding orders under the provisions of paragraph (1) of Article 34-21-2 to audit firms);
 - (ii) Making recommendations to the Prime Minister concerning administrative actions or any other measures to be taken in order to assure proper operations of the services set forth in Article 2(1) provided by certified public accountants, registered foreign certified public accountants or audit firms, services that are found to correspond to those set forth in the same paragraph provided by foreign audit firms, etc., or the affairs of the Japanese Institute of Certified Public Accountants;
 - (iii)~ (iv) (omitted)

Article 41-2 (Recommendations)

The Board may, when it has exercised its authority under the provisions of paragraph (1) of Article 46-12, paragraph (1) or (2) of Article 49-3 or paragraph (1) or (2) of Article 49-3-2 based on the provisions of paragraph (2) or (3) of Article 49-4 and finds it necessary, make recommendations to the Prime Minister concerning an administrative actions or any other measures to be taken in order to assure proper operations of the services set forth in Article 2(1) provided by a certified public accountant, registered foreign certified public accountant or audit firm, the services that are found to correspond to those set forth in the same paragraph provided by a foreign audit firm, etc., or the affairs of the Japanese Institute of Certified Public Accountants, based on the results of such exercises of authority.

Article 49-3-2 (Collection of Reports from and On-Site Inspections to Foreign Audit Firms, etc.)

- (1) The Prime Minister may, when he/she finds it necessary and appropriate in light of public interest or investor protection, request that a foreign audit firm, etc. report to, or submit relevant reporting documents on the services that are found to correspond to the services set forth in Article 2(1) concerning financial documents of foreign companies, etc. provided by the foreign audit firm, etc.
- (2) The Prime Minister may, when he/she finds it necessary and appropriate in light of public interest or investor protection, have relevant officials enter the offices of the foreign audit firm, etc. or other places related to the services thereof and inspect books and documents and any other objects related to the services that are found to correspond to the services set forth in Article 2(1) concerning financial documents of foreign companies, etc. provided by a foreign audit firm, etc.
- (3) (omitted)

Article 49-4 (Delegation of Authority)

- (1) The Prime Minister shall delegate its authority under this Law (excluding those specified by a Cabinet Order) to the Commissioner of the Financial Services Agency.
- (2) (omitted)
- (3) The Commissioner of the Financial Services Agency may, from the authority delegated under the provisions of paragraph (1), delegate the authority under the provisions of paragraph (1) and paragraph (2) of the preceding Article to the Board, pursuant to the provisions of a Cabinet Order.
- (4) ~ (5) (omitted)

Financial Instruments and Exchange Law (Law No. 25 of 1948)

Article 193-2 (Audit Attestation of Certified Public Accountant or Audit Firm)

(1) For the balance sheet, profit and loss statement and other documents relevant to financial accounting specified by a Cabinet Office Ordinance (“financial accounting documents” in paragraph (4) and the following Article) to be submitted under the provisions of this Law by an issuer of securities listed in a financial instruments exchange or other person specified by a Cabinet Order (“specified issuer” in the next Article), audit attestation shall be conducted by a certified public accountant or an audit firm which has no particular interest in such issuer or person; provided, however, that this shall not apply to the following cases:

- (i) in the case where an issuer of securities listed in Article 2(1)(xvii) that have the nature of securities listed in Item (ix) of the same paragraph or any other securities specified by a Cabinet Order has received, from a foreign audit firm, etc. (“foreign audit firm, etc.” as defined by Article 1-3(7) of the Certified Public Accountants Law; the same shall apply to item (i) of the following paragraph and paragraph (3)), attestation that is recognized by a Cabinet Office Ordinance to correspond to audit attestation;
- (ii) in the case where an issuer referred to in the preceding item has received, from a person referred to in the proviso to paragraph (1) of Article 34-35 of the Certified Public Accountants Law as a person specified by a Cabinet Office Ordinance, attestation that is recognized by a Cabinet Office Ordinance to correspond to audit attestation; or
- (iii) in the case where a company or person has been approved by the Prime Minister that it will not harm the public interest or fail to protect investors even without receiving audit attestation.

(2) For the internal control reports to be submitted under Article 24-4-4 by an issuer of securities listed in a financial instruments exchange or other person specified by a Cabinet Order, audit attestation shall be conducted by a certified public accountant or an audit firm which has no particular interest in such issuer of person; provided, however, that this shall not apply to the following cases:

- (i) in the case where an issuer referred to in item (i) of the preceding paragraph has received, from a foreign audit firm, etc., attestation that is recognized by a Cabinet Office Ordinance to correspond to audit attestation;
- (ii) in the case where an issuer referred to in the preceding item has received, from a person referred to in the proviso to paragraph (1) of Article 34-35 of the Certified

Public Accountants Law as a person specified by a Cabinet Office Ordinance, attestation that is recognized by a Cabinet Office Ordinance to correspond to audit attestation; or

(iii) in the case where a company or person has been approved by the Prime Minister that it will not harm the public interest or fail to protect investors even without receiving audit attestation.

(3) The provisions of item (i) of paragraph (1) and item (i) of the preceding paragraph shall not apply in the case where it is publicized under paragraph (2) of Article 34-38 of the Certified Public Accountants Law that the foreign audit firm, etc. as referred to in these provisions fails to follow the instructions given under paragraph (1) of Article 34-38 of the said Law or where it is publicized under paragraph (2) of Article 34-39 of the said Law that the foreign audit firm, etc. provided a notification prescribed in paragraph (1) of Article 34-39 of the said Law (except in the case where the publication prescribed in paragraph (3) of Article 34-38 of the said Law is made after the publication prescribed in paragraph (2) of Article 34-38 of the said Law).

(4) ~ (8) (omitted)