

# **THE CERTIFIED PUBLIC ACCOUNTANTS LAW**

(As amended, last amendment being on July 26, 2005)

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Only the original Japanese texts of the Certified Public Accountants Law have legal effect, and the translations are to be used solely as reference material to aid in the understanding of this Law.

For all purposes of interpreting and applying law to any legal issue or dispute, users should consult the original Japanese texts published in the Official Gazette.

## **CHAPTER I GENERAL PROVISIONS**

### **Article 1. Mission of CPAs**

The mission of Certified Public Accountants, who are professionals of auditing and accounting, is to promote fair corporate activities and to protect investors and creditors by securing reliability of financial information including financial statements with an independent point of view. By so doing, Certified Public Accountants shall contribute to the sound development of the national economy.

### **Article 1-2. Professional Responsibilities of CPAs**

Certified Public Accountants must always (a) maintain their professional attitude, (b) seek to enhance their knowledge and skills, and (c) act with integrity and fairness in providing services.

### **Article 1-3. Definitions**

1. The term “financial documents” as used in this Law shall mean inventories of assets and liabilities, balance sheets, income statements, and other documents pertaining to financial matters, including those recorded electronically, electromagnetically or in any other form that are not readily perceived by a person, and processed by computers.
2. The term “to publicize” as used in this Law shall mean to make a public notification or to put matters in a state under which shareholders, creditors, and others may be informed.
3. The term “audit corporation” as used in this Law shall mean a corporation incorporated jointly by Certified Public Accountants, under the provisions of this Law, for the purpose of systematically conducting the practice prescribed in Paragraph 1 of the following Article.

### **Article 2. Practice of CPAs**

1. A Certified Public Accountant shall make it his or her practice to audit or certify the 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 or her practice to prepare financial statements, to investigate 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 that no restrictions are imposed on such practices by other laws.
3. The provision of Paragraph 1 shall not prevent Certified Public Accountants from engaging in the practices prescribed in Paragraph 1 as assistants to other Certified Public Accountants or audit corporations.

### **Article 3. CPA Qualification**

Those who meet all three of the following requirements shall be qualified to be Certified Public Accountants: (1) To pass the Certified Public Accountant Examination, both the multiple-choice tests and essays at one occasion, as prescribed in Article 8 (hereinafter, except for in Article 12,

including those who are exempted from either the multiple-choice tests or essays as prescribed in Articles 9 or 10); (2) To have two or more years of internship or other work experience as prescribed in Article 15 Paragraph 1, and (3) To complete the practical training course as prescribed in Article 16 Paragraph 1, followed by the confirmation of the Prime Minister as prescribed in Paragraph 7.

#### **Article 4. Disqualification Clause**

No person falling under any of the following shall be qualified as a Certified Public Accountant:

- (1) Minors, wards who are of age, or warrantees
- (2) Those who violated this Law or the provisions of Article 197 or 198 of the Securities and Exchange Law (Law No.25, 1948), or those who committed a crime stipulated in Paragraph 1 of Article 233 (limited to the portion relating to Item 3) of the Investment Trust and Investment Company Law (Law No.198, 1951), Paragraph 1 of Article 328 (limited to the portion relating to Item 3) of the Insurers Law (Law No.105, 1995), Paragraph 1 of Article 308 (limited to the portion relating to Item 3) of the Asset Liquidation Law (Law No.105, 1998), or Paragraph 1 of Article 967 (limited to the portion relating to Item 3) of the Corporation Law (Law No.86, 2005) and are sentenced to imprisonment or heavier penalties, excluding those whose prison (or probation) periods are finished five or more years before their qualifications
- (3) Those who have been sentenced to imprisonment or heavier penalties, excluding those whose prison (or probation) periods are finished three or more years before their qualifications
- (4) Bankrupts
- (5) Those who have been dismissed under the National Public Service Law (Law No.120, 1947), the Diet Secretariats Personnel Law (Law No.85, 1947), or the Local Public Service Law (Law No.261, 1950), excluding the cases where three or more years have passed since the dismissal before their qualifications
- (6) Those who have been deregistered as Certified Public Accountants under Article 30 or Article 31 of this Law, excluding the cases where five or more years have passed since the deregistration before their re-qualifications
- (7) Those who are suspended from practice with temporary deregistration under Article 30 or Article 31 of this Law
- (8) Those who have been deregistered or prohibited from practice under the provisions of the Licensed Tax Accountants Law (Law No. 237, 1951), the Lawyers' Law (Law No. 205, 1949), the Special Measures Law concerning the Practice of Law by Foreign Attorneys (Law No. 66, 1986), or the Patent Attorneys' Law (Law No. 49, 2000), excluding those who are reinstated under those laws

## **CHAPTER II CPA EXAMINATION**

### **Article 5. Purpose of the Certified Public Accountant Examination and Manner of its Implementation**

The purpose of the Certified Public Accountant Examination is to judge whether the applicants have enough professional knowledge applicable to practice as Certified Public Accountants. It shall be in writing and comprised of two steps as prescribed in Article 8: multiple-choice tests (hereinafter the same in Articles 8 and 9 including one from two choice tests), and essays.

### **Article 6 and Article 7. Eliminated**

### **Article 8. Subjects of the Certified Public Accountant Examination and Related Concerns**

1. The multiple-choice tests shall consist of the following subjects:
  - (1) Financial accounting and reporting (hereinafter including bookkeeping, financial statement accounting, and others stipulated in the Cabinet Office Ordinance)
  - (2) Managerial accounting (including cost accounting and others stipulated in the Cabinet Office Ordinance; hereinafter the same)
  - (3) Auditing
  - (4) Business law (including the Corporation Law and others stipulated in the Cabinet Office Ordinance; hereinafter the same)
2. Only those who pass the multiple-choice tests, or those who are exempted from the tests under the following Article (including those who are exempted from the tests of all of the subjects) are allowed to sit for the essays. The subjects of the essay tests are as follows:
  - (1) Accounting (hereinafter including financial accounting and reporting, and managerial accounting)
  - (2) Auditing
  - (3) Business law
  - (4) Tax laws (including the Corporate Tax Law and others stipulated in the Cabinet Office Ordinance; hereinafter the same)
  - (5) One elective required subject, selected by applicants in advance, from the following: (a) Business administration, (b) Economics, (c) the Civil Code, or (d) Statistics
3. Scope of all or any of the subjects prescribed in the preceding Paragraphs 1 and 2 may be specified as stipulated in the Cabinet Office Ordinance.
4. It should be noted that in the Certified Public Accountant Examination, not only the applicants' professional knowledge but also their ability to think and judge practically be considered in order to appropriately judge whether the applicants have enough professional knowledge applicable to practice as Certified Public Accountants.

### **Article 9. Partial or Full Exemption from the Multiple-Choice Tests**

1. Those who are falling under any of the following Items shall, upon application, be exempted from the multiple-choice tests.

- (1) Those who have been holding or have held the post of professor or associate professor of the subjects belonging to commercial science for three or more years at (a) colleges or universities under the School Education Law (Law No.26, 1947), (b) universities under the former University Ordinance (Imperial Ordinance No.388, 1918) (hereinafter including the preparatory course), (c) senior course of high schools under the former High School Ordinance (Imperial Ordinance No.389, 1918), (d) technical colleges under the former Technical College Ordinance (Imperial Ordinance No.61, 1903), and those who have been conferred a doctoral degree on the subjects belonging to commercial science
  - (2) Those who have been holding or have held the post of professor or associate professor of the subjects belonging to jurisprudence for three or more years at (a) colleges or universities under the School Education Law, (b) universities under the former University Ordinance, (c) senior course of high schools under the former High School Ordinance, or (d) technical colleges under the former Technical College Ordinance, and those who have been conferred a doctoral degree on the subjects belonging to jurisprudence
  - (3) Those who passed the High Civil Service Examination
  - (4) Those who passed the Bar Examination
2. In addition to those who are exempted from the multiple-choice tests under the preceding Items, those falling under any of the following Items shall, upon application, be exempted from the multiple-choice tests in the designated subject or subjects prescribed as follows:
- (1) Those who are qualified to register as licensed tax accountants under Item 1 or 2 of Paragraph 1 of Article 3 of the Licensed Tax Accountants Law, or those who have passed part of the licensed tax accountant examination, namely “bookkeeping” and “financial statements accounting,” with grades higher than stipulated in the Cabinet Orders as prescribed in Article 7 Paragraph 1 of the Licensed Tax Accountants Law (including those who are recognized to satisfy this requirements as prescribed in Article 7 Paragraph 3 of the Licensed Tax Accountants Law): Financial accounting and reporting
  - (2) Those who have been conferred degrees designated by the Minister of Education, Culture, Sports, Science and Technology as prescribed in Article 68-2 Paragraph 1 of the School Education Law and stipulated in the Cabinet Office Ordinance on the researches focused on commercial science or others as stipulated in the Cabinet Office Ordinance: Subject or subjects designated by the Cabinet Orders
  - (3) Those who are accredited by the Cabinet Orders to have more than seven years of work experience in an area relating to a subject or subjects of the multiple-choice tests: Subject or subjects designated by the Cabinet Orders
3. Those who passed the multiple-choice tests shall, upon application, be exempted from the multiple-choice tests for two years from the day when their test results are announced.
4. The application procedures prescribed in the preceding three Paragraphs shall be stipulated in

the Cabinet Office Ordinance.

#### **Article 10. Partial Exemption from the Essay Tests**

1. Those who are falling under any of the following Items shall, upon application, be exempted from the designated subject or subjects of the essay tests prescribed as follows:
  - (1) Those who are falling under Item 1 of Paragraph 1 of the preceding Article: Accounting and business administration
  - (2) Those who are falling under Item 2 or 4 of Paragraph 1 of the preceding Article: Business law and the Civil Code
  - (3) Those who are falling under Item 3 of Paragraph 1 of the preceding Article: Subject or subjects sat for in the High Civil Service Examination (when the subject was the Commercial Code, Business law)
  - (4) Those who have been holding or have held the post of professor or associate professor of the subjects belonging to economics for three or more years at (a) colleges or universities under the School Education Law, (b) universities under the former University Ordinance, (c) senior course of high schools under the former High School Ordinance, or (d) technical colleges under the former Technical College Ordinance, and those who have been conferred a doctoral degree on the subjects belonging to economics: Economics
  - (5) Those who have passed the examination of the Real Estate Appraisers Examination: Economics or the Civil Code
  - (6) Those who are qualified to register as licensed tax accountants under Item 1 or 2 of Paragraph 1 of Article 3 of the Licensed Tax Accountants Law: Tax laws
  - (7) Those who are designated to have enough professional knowledge applicable to practice as Certified Public Accountants on a subject or subjects prescribed in Items of Paragraph 2 of Article 8 by the Cabinet Orders: Subject or subjects designated by the Cabinet Orders
2. Those who have attained appropriate results in a subject or subjects of the essay tests, as acknowledged by the Certified Public Accountants and Auditing Oversight Board, shall, upon application, be exempted from the tests of the designated subject or subjects of the essays for two years from the day when their test results are announced.
3. The application procedures prescribed in the preceding two Paragraphs shall be stipulated in the Cabinet Office Ordinance.

#### **Article 11. Examination Fee**

1. Those who are to sit for the Certified Public Accountant Examination shall pay the examination fees stipulated in the Cabinet Order to make up for the actual cost of the examination.

2. The fees paid under the preceding Paragraph shall not be refundable even when the applicants fail to take the examination.

#### **Article 12. Certificates**

Those who pass the Certified Public Accountant Examination shall be awarded the certificate.

#### **Article 13. Conduct of the Examination**

1. The Certified Public Accountant Examination shall be conducted by the Certified Public Accountants and Auditing Oversight Board.
2. The Certified Public Accountant Examination shall be conducted once or more each year.

#### **Article 13-2. Revocation of the Test Results**

1. The Certified Public Accountants and Auditing Oversight Board has the authority to (a) invalidate the test results of the applicants who commit or try to commit wrongdoing with regard to the examinations, or (b) prohibit them from sitting for the Examination.
2. The Certified Public Accountants and Auditing Oversight Board has the authority to ban the people falling under the preceding Paragraph from taking the Certified Public Accountant Examination for a fixed period not exceeding three years, according to the circumstances.

#### **Article 14. Details of Examination**

Besides those prescribed in this Law, matters necessary for conducting the Certified Public Accountant Examination shall be stipulated in the Cabinet Office Ordinance.

#### **Article 15. Internship or Certain Other Work Experience**

1. The required internship or certain other work experience may be attained either before or after the Certified Public Accountant Examination. The required period is the sum of the following:
  - (1) Period during which a successful candidate engaged in the practices prescribed in Paragraph 1 of Article 2 as an assistant to other Certified Public Accountants or audit corporations
  - (2) Period during which a successful candidate engaged in audits of financial matters, financial analysis or other practices as prescribed in the Cabinet Orders
2. In addition to those prescribed in this Law, matters necessary for the internship shall be stipulated in the Cabinet Office Ordinance.

#### **Article 16. Practical Training Course**

1. Practical training bodies that are comprised of Certified Public Accountants and certain other bodies authorized by the Prime Minister shall provide practical training courses to those who

passed the Certified Public Accountant Examination, aiming to provide necessary professional skill to become Certified Public Accountants (hereinafter referred to as “Practical Training Bodies” in this Article).

2. Those who apply for the authorization in the preceding Paragraph should fill out and submit an application form designated by the Cabinet Office Ordinance, together with supplemental documents stipulated in the Cabinet Office Ordinance, to the Prime Minister.
3. The Prime Minister shall authorize the application prescribed in the preceding Paragraph when he or she acknowledges that the contents, manner, and other matters regarding the practical training course are in conformity with standards stipulated in the Cabinet Office Ordinance.
4. The Prime Minister may issue necessary instructions to the Practical Training Bodies when he or she acknowledges that the contents, manner, and other matters regarding the practical training course are not in conformity with standards stipulated in the Cabinet Office Ordinance in the preceding Paragraph.
5. The Prime Minister may cancel the authorization as prescribed in Paragraph 1 (a) when he or she acknowledges that the Practical Training Bodies become unable to conform to the standards stipulated in the Cabinet Office Ordinance as prescribed in Paragraph 3, (b) when the Practical Training Bodies do not comply with the instructions as prescribed in the preceding Paragraph, or (c) when the Practical Training Bodies apply for a cancellation of the designation as Practical Training Bodies.
6. The Practical Training Bodies shall report to the Prime Minister in writing as soon as a trainee who passed the Certified Public Accountant Examination and is being provided with the practical training course (hereinafter referred to as “trainee” in the following Paragraph) finishes the entire practical training course as stipulated in the Cabinet Office Ordinance.
7. The Prime Minister shall confirm the completion of the practical training course by the trainee when he or she acknowledges that the trainee completed the entire course of practical training based upon the report as prescribed in the preceding Paragraph.
8. In addition to those rules prescribed in this Law, matters necessary for the practical training course shall be stipulated in the Cabinet Office Ordinance.

#### **Articles 16-2. Special Treatment for Those Qualified in Foreign Countries**

1. Those who have qualifications in a foreign country for a profession corresponding to Certified Public Accountant and have reasonable knowledge of Japanese laws and ordinances concerning accounting may conduct the practice prescribed in Article 2 on condition that their qualifications have been approved by the Prime Minister and that their names have been registered with the Japanese Institute of Certified Public Accountants on the registered foreign Certified Public Accountants roster. This provision does not apply to those who fall under any of the Items of Article 4.
2. When approving the qualifications as prescribed in the preceding Paragraph, the Prime Minister shall have the Certified Public Accountants and Auditing Oversight Board give the examination or conduct the screening, in accordance with the Cabinet Office Ordinance.

3. Those who are to sit for the examination or screening shall pay the fees prescribed in the Cabinet Orders to make up for the actual cost of the examination or screening.
4. The fees paid under the preceding Paragraph shall not be refundable even when the applicants fail to take the examination or screening prescribed in Paragraph 2.
5. If anyone who has been registered under Paragraph 1 (hereinafter referred to as a “registered foreign Certified Public Accountant”) falls under any of the following Items, the Japanese Institute of Certified Public Accountants shall revoke his or her registration under the Paragraph.
  - (1) In case he or she falls under any of the Items of Paragraph 1 of Article 21
  - (2) In case he or she has lost the qualification in the foreign country corresponding to Certified Public Accountant
6. The provisions of Article 18-2 through Article 20, Article 22 through Article 34-2, and Article 49 shall apply mutatis mutandis to registered foreign Certified Public Accountants.

## **CHAPTER III REGISTRATION**

### **Article 17. Obligation for Registration**

Those who are qualified to be a Certified Public Accountant shall be required to have his or her name, date of birth, office and other matters as stipulated in the Cabinet Office Ordinance registered to the Certified Public Accountants roster to become a Certified Public Accountant.

### **Article 18. Roster**

The Certified Public Accountants roster and the registered foreign Certified Public Accountants roster shall be kept in the Japanese Institute of Certified Public Accountants.

### **Article 18-2. Registration Rejection**

Those who are falling under the following Items shall not be registered as Certified Public Accountants.

- (1) Those who have been suspended from their practice as a licensed tax accountant, lawyer, foreign attorney, or patent attorney under disciplinary punishment
- (2) Those who may be inappropriate to conduct practice as a Certified Public Accountant due to illness or injury, or who may harm the creditability of Certified Public Accountants

### **Article 19. Procedures for Registration**

1. Those who want to be registered under Article 17 shall file an application for registration with the Japanese Institute of Certified Public Accountants.
2. The application for registration under the preceding Paragraph shall be accompanied with a document proving that the applicant has the qualifications to be a Certified Public Accountant.
3. In the case where an application for registration has been filed under the provisions of Paragraph 1, the Japanese Institute of Certified Public Accountants shall promptly include the registration under Article 17 if the applicant is deemed to be a person who can become a Certified Public Accountant, and can be registered. However, the Japanese Institute of Certified Public Accountants shall veto the registration under the resolution of the Qualification Screening Board prescribed in Article 46-11 if the applicant is deemed to be a person who is not qualified to be a Certified Public Accountant, or a person not to be registered.
4. The Japanese Institute of Certified Public Accountants shall, when the registration is vetoed in accordance with the provision of the preceding Paragraph, notify the applicant by means of a written notice stating the reason.

### **Article 19-2. Request for Investigation in the Case of Vetoes**

1. Those whose registration has been vetoed under the provisions of Paragraph 3 of the preceding Article may, where he or she is dissatisfied with the action, make a request for investigation to

the Prime Minister under the Administrative Complaint Investigation Act (Law No. 160, 1962).

2. Those who have filed an application for registration under the provisions of Paragraph 1 of the preceding Article may, where no action has been taken after the lapse of three months from the date when such an application was filed, deem that the registration has been vetoed and make a request for investigation under the preceding Paragraph to the Prime Minister.
3. Where the request for investigation under the provisions of the two preceding Paragraphs is well-grounded, the Prime Minister shall order the Japanese Institute of Certified Public Accountants to take due action.

#### **Article 20. Change of Registration**

In cases where any change has taken place in the matters registered under the provisions of Article 17, a Certified Public Accountant shall promptly apply for the registration of such a change.

#### **Article 21. Revocation of Registration**

1. In cases of any matter falling under any of the following Items, the Japanese Institute of Certified Public Accountants shall revoke the registration of a Certified Public Accountant:
  - (1) When a Certified Public Accountant has discontinued his or her practice
  - (2) When a Certified Public Accountant has deceased
  - (3) When a Certified Public Accountant has fallen under any of the Items of Article 4
  - (4) When a Certified Public Accountant is deemed inappropriate to conduct the practices of Certified Public Accountant due to illness or injury
2. In a case when registration has been revoked as prescribed in Item 4 of the preceding Paragraph, the Japanese Institute of Certified Public Accountants shall veto the registration upon the resolution of the Qualification Screening Board.
3. The provision of Paragraph 4 of Article 19, and Paragraph 1 and 3 of Article 19-2 shall apply mutatis mutandis to the revocation of registration described in the provision of Item 4 of Paragraph 1.

#### **Article 21-2. Public Announcement of Registration and Revocation**

In cases where the registration of a Certified Public Accountant or a foreign Certified Public Accountant has been issued or revoked, the Japanese Institute of Certified Public Accountants shall make without delay a public announcement to that effect in the Official Gazette.

#### **Article 21-3. Restrictions of Revocation of Registration**

When a Certified Public Accountant or foreign Certified Public Accountant is subject to the procedures of disciplinary punishment, the Japanese Institute of Certified Public Accountants may not revoke the registration of a Certified Public Accountant or foreign Certified Public Accountant

as prescribed in Item 1 of Paragraph 1 of Article 21, or Item 1 of Paragraph 5 of Article 16-2 (limited to those pertaining to Item 1 of Paragraph 1 of Article 21) until the procedures of disciplinary punishment have completed.

**Article 22. Details of Registration**

Besides those matters provided for in this Law, the procedure of registrations, revocation of registration, Certified Public Accountants roster, and such other matters as necessary concerning registration shall be prescribed in the Cabinet Office Ordinance.

**Article 23. Eliminated**

## **CHAPTER IV DUTIES OF CPAS**

### **Article 24. Restrictions of Practice on Certain Matters**

1. A Certified Public Accountant shall not render the services prescribed in Paragraph 1 of Article 2 concerning financial documents which fall under any of the following Items:
  - (1) The financial documents of those corporations or others in which he or she, or his or her spouse is, has been, or was within the past one year an officer or staff corresponding thereto or a responsible official in charge of clerical affairs concerning financial matters
  - (2) The financial documents of those corporations or others in which he or she is, has been, or was an employee within the past one year
  - (3) In addition to those falling under the preceding Items, the financial documents of those corporations or others in which he or she has substantial interest
2. Significant interests prescribed in Item 3 of the preceding Paragraph shall mean such relations concerning business, finances, and others between a Certified Public Accountant, or his or her spouse and the corporations or others, as stipulated in the Cabinet Orders, giving recognition to the fact that such prescription is necessary and appropriate in order to maintain fairness of practice of Paragraph 1 of Article 2 conducted by a Certified Public Accountant.
3. Those who were once a national government official or local government official shall not conduct, during his or her tenure of office or during the two years following retirement, the practice prescribed in Paragraph 1 of Article 2 with respect to the financial affairs of those business enterprises closely related with the duties of the office held during the two years preceding retirement.

### **Article 24-2. Special Rules on Restriction of Services to Large Corporations and Others**

When a Certified Public Accountant, including his or her spouse, or those corporations or any other organizations over which he or she, including his or her spouse, has controlling power substantially and continuously as stipulated in the Cabinet Office Ordinance receives fees for the service prescribed in Paragraph 2 of Article 2 (limited to those stipulated in the Cabinet Office Ordinance) from those falling under any of the following Items (hereinafter referred to as "Large Corporations and Others"), the Certified Public Accountant is not allowed to provide the services prescribed in Paragraph 1 of Article 2 concerning the financial documents of those Large Corporations and Others.

- (1) Those corporations which maintain an independent auditor (excluding any corporation designated by the Cabinet Orders in consideration of the amount of its capital stock, the amount of its total liabilities reported on the balance sheet for the last business year, and other matters)
- (2) Those corporations or any other organizations which are subject to audit by independent Certified Public Accountants under Paragraph 1 of Article 193-2 of the Securities and Exchange Law, excluding those designated by the Cabinet Orders

- (3) Those banks as stipulated in Paragraph 1 of Article 2 of the Banking Law (Law No.59, 1981)
- (4) Those long-term credit banks as stipulated in Article 2 of the Long-Term Credit Banking Law (Law No.187, 1952)
- (5) Those insurance companies as stipulated in Paragraph 2 of Article 2 of the Insurance Business Law
- (6) Those corporations or any other organizations which are regarded to be equivalent to those prescribed in the preceding Items by the Cabinet Orders

#### **Article 24-3.**

After rendering audit and audit-related services, meaning those services prescribed in Paragraph 1 of Article 2, as Certified Public Accountant, including services rendered as a partner of audit corporations, and other services which are regarded equivalent to such under the Cabinet Office Ordinance (hereinafter the same in this Article and in Article 34-11-3) to Large Corporations and Others for the consecutive accounting periods (hereinafter including business year and the like) designated by the Cabinet Orders, not exceeding seven accounting periods, a Certified Public Accountant is not allowed to provide audit and audit-related services to the Large Corporations and Others until certain periods, as designated by the Cabinet Office Ordinance, elapses. However, this rule does not apply to the provision of such services to such corporations by the Certified Public Accountant, excluding those who are partners of audit corporations, if there is an acceptable reason for failing to comply and approved by the Prime Minister, in due consideration of conditions, and the permission is being sanctioned for every accounting period, as stipulated in the Cabinet Office Ordinance.

#### **Article 24-4.**

For rendering those services as prescribed in Paragraph 1 of Article 2 as to the financial documents of Large Corporations and Others, a Certified Public Accountant must work jointly with one or more of other Certified Public Accountants or audit corporations, or employ other as assistants. However, this rule does not apply if there is an acceptable reason for failing to comply, in due consideration of conditions, as stipulated in the Cabinet Office Ordinance.

#### **Article 25. Disclosure of Scope of Certification and of Interest of the Certifier**

1. A Certified Public Accountant, in certifying the financial documents of a corporation or others, shall disclose to what extent he or she is to certify.
2. A Certified Public Accountant, in certifying the financial documents of a corporation or others, shall disclose in his or her certificate whether he or she has any interest in such corporation or organization, the details of such interests, and other matters as stipulated in the Cabinet Office Ordinance.

#### **Article 26. Prohibition of Discreditable Acts**

A Certified Public Accountant shall not commit any act or acts which will injure the creditability

of Certified Public Accountants, or which will disgrace Certified Public Accountants as a whole.

#### **Article 27. Obligation to Observe Secrecy**

A Certified Public Accountant shall not, without due reason, divulge to others or use to his or her advantage the confidential matters known to him or her through his or her practice. A Certified Public Accountant shall have the same obligation after he or she has discontinued being a Certified Public Accountant.

#### **Article 28. Continuing Professional Education**

A Certified Public Accountant must take the continuing professional education provided by the Japanese Institute of Certified Public Accountants for the purpose of improving the competency of Certified Public Accountants, as stipulated in the Cabinet Office Ordinance.

#### **Article 28-2. Restriction on Employment with Audit Clients**

A Certified Public Accountant, including those who were a Certified Public Accountant, is not allowed to take an executive or similar position with the corporations or others to which he or she provides services concerning financial documents, as prescribed in Paragraph 1 of Article 2, until the end of the accounting period following the one in which he or she provides the services. However, this rule does not apply if there is an acceptable reason for failing to comply, in due consideration of conditions, as stipulated in the Cabinet Office Ordinance, and the Prime Minister approves.

#### **Article 28-3. Responsibilities to Supervise Assistants and Others**

A Certified Public Accountant must supervise employees or other assistants if he or she uses those employees or assistants in providing services prescribed in Paragraph 1 and 2 of Article 2 in order to perform the practice appropriately.

## **CHAPTER V RESPONSIBILITIES OF CPAS**

### **Article 29. Types of Disciplinary Punishment**

The disciplinary actions for Certified Public Accountants shall be of the following three types:

- (1) Reprimand.
- (2) Suspension of practice for not more than two years.
- (3) Revocation of registration.

### **Article 30. Disciplinary Punishment for False or Undue Certification**

1. In the case where a Certified Public Accountant knowingly certifies the financial documents, which contain falsities, errors, or omissions, as having no falsities, errors or omissions, the Prime Minister may take action to suspend his or her practice for not more than two years or to revoke his or her registration.
2. In the case where a Certified Public Accountant is negligent of due care certifies financial documents which contain substantial falsities, errors, or omissions, as having no such substantial falsities, errors, or omissions, the Prime Minister may take action to reprimand him or her or to suspend his or her practice for not more than two year.
3. In the case where an audit corporation certifies financial documents which contain falsities, errors, or omissions, as having no falsities, errors or omissions, the provisions of the two preceding Paragraphs shall apply mutatis mutandis to the Certified Public Accountant who is its partners and who has executed the certification, provided that he or she has certified purposely or in negligence of due care.

### **Article 31. General Disciplinary Punishment**

In the case a Certified Public Accountant violates any of the provisions of this Law or ordinance based on this law, or a Certified Public Accountant does not comply with the direction stipulated in Article 34-2 of this Law, the Prime Minister may take such disciplinary action as prescribed in each of the Items of Article 29.

### **Article 32. Procedures of Disciplinary Punishment**

1. Any person, who considers that there has been a violation falling under the two preceding Articles in connection with a Certified Public Accountant, may inform the Prime Minister of such violation and request him to take proper measures.
2. When the Prime Minister has received such information as prescribed in the preceding Paragraph, he must undertake a necessary investigation into the matter.
3. When the Prime Minister considers that there is a case falling under the two preceding Articles in connection with a Certified Public Accountant, he or she may, upon his or her authority of office, undertake a necessary investigation into the matter.

4. When the Prime Minister intends to reprimand or suspend a practice for not more than two year under the two preceding Articles, he shall hold a hearing in spite of the classification of procedures for expressing opinions based on the prescription of Paragraph 1 of Article 13 of the Administrative Procedure Act. (Law No. 88, 1993)
5. The disciplinary punishment as prescribed in the two preceding Articles shall be imposed in cases where it is considered, on sufficient evidence, that there has been a violation under the two preceding Articles, after holding the hearing and after consulting with the Certified Public Accountants and Auditing Oversight Board. However, when disciplinary punishment is imposed based on the recommendation due to the requirement of Article 41-2 of this Law, it is not necessary for the Prime Minister to listen to the opinion of the Certified Public Accountants and Auditing Oversight Board.

### **Article 33. Authority for Investigation**

1. For the purpose of making a necessary investigation into a case, under Paragraph 2 (including cases where the Paragraph is applied mutatis mutandis in Paragraph 2 of Article 46-10) or Paragraph 3 of the preceding Article, the Prime Minister may order officials in charge to take any of the following actions:
  - (1) To summon the persons related with the case or witnesses and hear the case, or to seek the opinions or reports from these persons.
  - (2) To summon an expert for the purpose of obtaining his or her professional advice.
  - (3) To order the owners of books, documents, and other items to produce them, or to take custody of the items to be produced.
  - (4) To make spot inspections at offices or at locations connected with the case and inspect books, documents, and other materials connected with the case.
2. Those witnesses or experts who are ordered to appear or to give an expert opinion may demand the payment of their traveling expenses, daily allowances, and other expenses as may be fixed by Cabinet Orders.

### **Article 34. Preparation of Protocol, its Disclosing to the Public, and Public Notice of Disciplinary Punishment**

1. When the Prime Minister has completed the necessary investigation into the case, he or she shall record the summary in the protocol and, in case any action as prescribed in the preceding Article has been taken, he or she shall clearly indicate its result.
2. Any interested person may contact the Prime Minister for inspection of the protocol as prescribed in the preceding Paragraph or may demand the delivery of a copy or an extract from the protocol by paying the fees as fixed by a Cabinet Office Ordinance, however, any person other than the Certified Public Accountant or his or her proxy, is not entitled to request the inspection of the protocol as prescribed in the same Paragraph or demand the delivery of a copy or an extract of the protocol prior to the imposition of the disciplinary punishment, or before the decision has been made to the effect that no disciplinary punishment shall be

imposed.

3. When the Prime Minister takes action to inflict disciplinary punishment under the provisions of Article 30 or Article 31, he or she shall make a public notice to that effect.

**Article 34-2. Direction**

The Prime Minister is entitled to give a necessary direction to the Certified Public Accountant when the Certified Public Accountant has violated this Law or any ordinance(s) based on this Law.

## **CHAPTER V-II AUDIT CORPORATIONS**

### **Article 34-2-2. Incorporation and others**

1. Certified Public Accountants (hereafter in this Chapter and Chapter VI-II the term “Certified Public Accountants” includes registered foreign Certified Public Accountants) may incorporate audit corporations in accordance with the provisions of this Chapter.
2. Article 1 of this Law is applied mutatis mutandis to the audit corporations.

### **Article 34-3. Name**

Audit corporations shall use the word “audit corporation” in their names.

### **Article 34-4. Qualification of Partners of Audit Corporations**

1. Each partner of the audit corporation has to be a Certified Public Accountant.
2. The following person shall not be its partner:
  - (1) Those who have been punished with suspension of practice under the provisions of Article 30 or Article 31 and of whom such period of suspension has not elapsed.
  - (2) Those who were partners of audit corporations at any time during the 30 days preceding the date of the punishment of such audit corporations where the dissolution of such audit corporations were ordered or the practice thereof was suspended under the provisions of Article 34-21 and of whom three years has not elapsed from the date of punishment of such audit corporations (the period of suspension of practice where it was suspended).

### **Article 34-5. Extent of Practice**

In addition to the practice prescribed in Paragraph 1 of Article 2, an audit corporation may conduct, to the extent that it does not interfere with its practice and in accordance with the provisions of the articles of incorporation, all or part of the practices enumerated in the following:

- (1) The practice described in Paragraph 2 of Article 2.
- (2) Practical training for persons who passed the Certified Public Accountant Examination.

### **Article 34-6. Registration**

1. Audit corporations shall register in accordance with Cabinet Orders.
2. The matters required to be registered in accordance with the provision of the preceding Paragraph shall not be perfected against third party without registration.

### **Article 34-7. Procedures to Incorporate**

1. In order to incorporate an audit corporation, five or more Certified Public Accountants who intend to be its partners shall stipulate jointly the articles of incorporation.
2. The requirement in Paragraph 1 of Article 30 of the Corporation Law shall be applied mutatis

mutandis to the articles of incorporation of the audit corporation.

3. The articles of incorporation shall, at least, state the following:

- (1) Purpose of business
- (2) Name of the audit corporation
- (3) Location of office
- (4) Names and addresses of partners
- (5) Matters relating to capital contributions by partners
- (6) Matters relating to the execution of practice

**Article 34-8. Eliminated**

**Article 34-9. Time of Incorporation**

An audit corporation shall be incorporated by registration at the location of its principal office.

**Article 34-9-2. Reporting of Incorporation**

An audit corporation shall report its incorporation to the Prime Minister within two weeks after its incorporation, together with a copy of a certification of incorporation and a copy of the articles of incorporation.

**Article 34-10. Amendment of Articles of Incorporation**

1. An audit corporation may amend its articles of incorporation with the unanimous approval of all of its partners, unless the articles of incorporation provide otherwise.
2. When an audit corporation amends its articles of incorporation, it shall report the amendment to the Prime Minister within two weeks after the date of amendment.

**Article 34-10-2. Execution of Operation**

A partner of an audit corporation is both entitled and obligated to execute all the operation.

**Article 34-10-3. Representation of an Audit Corporation**

1. Each partner of an audit corporation shall represent the audit corporation.
2. The previous Paragraph does not prevent an audit corporation from specifically designating certain partners out of all partners to represent the audit corporation by stipulating in the articles of incorporation or obtaining the consent of all its partners.
3. A partner who represents an audit corporation is authorized to perform all of the judicial and extra-judicial acts concerning the operations of the audit corporation.
4. No limitation on the authority prescribed in the preceding Paragraph may be asserted against a third party unless the third party is aware of the limitation.

#### **Article 34-10-4. Designated Partners**

1. An audit corporation is permitted to designate one or several partners to be in charge of certain audit engagement.
2. When certain partner(s) are designated for certain audit engagement (hereafter referred to as “designated audit engagement” in this Article and following Article) following the preceding Paragraph, only the partner(s) who are designated (hereafter referred to as “designated partner(s)” in this Article and following Article) are entitled and obligated to perform audit engagement.
3. Despite the preceding Article, only designated partner(s) are to represent an audit corporation for the designated audit engagement.
4. When an audit corporation designates one or several partners to be responsible for certain assurance engagement in accordance with the Paragraph 1, an audit corporation shall notify its client that is subject to independent audit (hereafter referred to as “audit client and other in this Article and the following Article”) of such designation in writing.
5. An audit client and other is entitled to request the audit corporation to clarify whether the audit corporation intends to designate partner(s) to the audit engagement following Paragraph 1 during a certain period of time. If the audit corporation does not notify the audit client and other of its intention following the preceding Paragraph during that period, the audit corporation shall not be permitted to designate its partners once that period has elapsed. However, this does not prevent an audit corporation from designating certain partner(s) by obtaining consent from its audit client and other.
6. When designated partner(s) resign before their designated audit engagement work is complete, the audit corporation shall newly designate its partner(s) to this audit engagement. If the audit corporation fails to do such designation, all partners of the audit corporation shall be deemed to have been designated for this audit engagement.

#### **Article 34-10-5. Responsibilities of Partners**

1. When an audit corporation is unable to repay its liabilities with its assets, each partner shall be jointly and severally responsible for the repayment of remaining liabilities.
2. When compulsory execution on the assets of the audit corporation fails to achieve its purposes, the preceding Paragraph shall be applied.
3. When partners of an audit corporation prove that the audit corporation has enough assets to repay its liabilities, and that execution is easy to do, the preceding Paragraph shall not be applied.
4. Where certain partner(s) are designated to be responsible for particular audit engagement in accordance with Paragraph 1 of Article 34-10-4, and such designation is notified to audit client and other in accordance with Paragraph 4 of Article 34-10-4 (including a situation in which all partners shall be deemed responsible for the liabilities as the designated partners in accordance with Paragraph 6 of Article 34-10-4; this treatment applies in Paragraphs 5 and 6), and an audit corporation is unable to repay its liabilities payable to its audit client and others related to the designated audits with its assets, designated partner(s) shall be jointly and severally responsible for repaying the remaining liabilities, regardless of Paragraph 1. In this case,

designated partner(s) include those who were designated for the particular audit engagement, and this interpretation holds in the following Paragraphs. When partner(s) who have left the audit corporation prove that such liabilities arose from causes which occurred after their departure, they shall not be responsible for the remaining liabilities of the audit corporation.

5. When certain partner(s) are designated to be responsible for particular audit engagement in accordance with Paragraph 1 of Article 34-10-4, and such designation is notified to audit client in accordance with Paragraph 4 of Article 34-10-4, and compulsory execution on the assets of the audit corporation does not achieve its objectives, the preceding Paragraph shall apply except for a situation where the designated partner(s) prove that the audit corporation has enough assets and compulsory execution is easy to do.
6. When certain partner(s) are designated to be responsible for particular audit engagement in accordance with Paragraph 1 of Article 34-10-4, and such designation is notified to audit client in accordance with Paragraph 4 of Article 34-10-4, and a partner who is not designated has worked on the designated audit engagement regardless of whether such partner worked before or after such designation, such partner shall assume the same responsibility as the one under Paragraphs 4 and 5 of Article 34-10-5, except for a situation where such partner proves that he or she exercised due care in the designated audit engagement in question. The same treatment applies when a partner has already left the audit corporation.
7. Article 612 of the Corporation Law applies mutatis mutandis to the resigned partner(s) when a partner of an audit corporation leaves. However, Article 612 of the Corporation Law does not apply to Paragraph 4 of Article 34-10-5 with regard to liabilities of an audit corporation payable to the audit client and others for the designated audit.

#### **Article 34-10-6. Responsibility of a person who misrepresents himself or herself as a partner**

When a person who is not a partner misrepresents himself or herself as a partner, he or she shall bear the same responsibility as a partner to those who conduct transactions with an audit corporation based on the misrepresentation.

#### **Article 34-11. Restrictions on Practice Relating to Specific Matters**

1. An audit corporation shall not conduct the practice described in Paragraph 1 of Article 2 relating to those financial documents falling under any one of the following Items:
  - (1) Financial documents of the companies or others whose stock the audit corporation owns or in which the audit corporation is investing.
  - (2) Financial documents of companies or others where a partner of an audit corporation has with the companies or others a relationship described in Item 1 of Paragraph 1 of Article 24.
  - (3) Financial documents of the companies or others where a person of an audit corporation was engaged in the work prescribed in Paragraph 1 of Article 2 as an engagement partner of the audit corporation, and he or she was hired as an officer or to be in some other comparable position of the company or other during an accounting period in which the audit corporation performs the work related to the financial documents or the following accounting period (hereafter, it is referred to as "engagement partner accounting period" in the Item).
  - (4) In addition to those stipulated in the preceding three Items, financial documents of

companies or others in which the audit corporation has substantial interest.

2. “Substantial interest” in Item 4 of the preceding Paragraph shall mean such relations concerning business, finances, and so on between the audit corporation or its partners and the company or others as prescribed by Cabinet Orders on the grounds that such prescription is necessary and appropriate in order to maintain the fairness of practice as described in Paragraph 1 of Article 2 conducted by the audit corporation.
3. Any partner of the audit corporation who has relationships prescribed in Paragraph 1 or 3 of Article 24 with the company or others shall not be engaged in the practice described in Paragraph 1 of Article 2 concerning the financial documents of such company or others conducted by the audit corporation.

**Article 34-11-2. Special clauses on the restriction of the audit corporation’s services with regard to Large Corporations and Others**

The provision of Article 24-2 shall apply mutatis mutandis to an audit corporation when it provides services which fall into Paragraph 1 of Article 2 with regard to financial documents of Large Corporations and Others. In such cases, “the audit corporation or the audit corporation” shall replace “the Certified Public Accountant, his or her spouse or the Certified Public Accountant or his or her spouse” in Article 24-2.

**Article 34-11-3.**

When an audit corporation provides the service which falls into Paragraph 1 of Article 2 with regard to financial documents of Large Corporations and Others, and its partner(s) have performed audit related work regarding financial documents of all accounting periods that are seven consecutive accounting periods or less and are decreed by the Cabinet Orders, the audit corporation shall not assign such partner(s) to perform audit related work for financial documents of the Large Corporations and Others in the subsequent accounting periods for the number of accounting periods decreed by the Cabinet Orders.

**Article 34-12. Method of Execution of Audit or Certification Practice**

1. An audit corporation shall not have anyone other than its partner conduct audits or certifications.
2. Where an audit corporation certifies the financial documents of a company or others, the partner executing services relating to such certification shall sign the certificate with an indication of his qualifications and impress his or her seal thereon.
3. The provisions of Article 25 shall apply mutatis mutandis to the cases where an audit corporation certifies the financial documents of a company and others.

**Article 34-13. Establishment and Maintenance of Operation Control Structure**

An audit corporation shall establish and maintain the operation control structure in order to perform its services fairly and accurately, in accordance with the Cabinet Office Ordinance.

**Article 34-14. Prohibition of Business Competition by Partners**

1. A partner of an audit corporation shall not conduct, on his or her own behalf and / or on the behalf of a third party, the same practices performed by the audit corporation for which he or

she works and shall not simultaneously become a partner of another audit corporation.

2. When, in violation of the provisions of the preceding Paragraph, a partner of an audit corporation conducts, either on his or her own behalf or on behalf of a third party, the same practices performed by the audit corporation at which he or she is employed, the amount of the profit gained by the partner or by the third party from the practices shall be presumed to be the amount of damage caused to the audit corporation.

**Article 34-14-2. Restriction on engagement partners' new job after leaving audit corporations**

The provision of Article 28-2 shall apply mutatis mutandis to the engagement partner(s) of an audit corporation, when the audit corporation has performed the services which fall into Paragraph 1 of Article 2 with regard to financial documents of companies or others.

**Article 34-14-3. Application of the Provision of CPA's Duties**

The provision of Article 28-3 shall apply mutatis mutandis to audit corporations.

#### **Article 34-15. Fiscal Term**

The fiscal term of an audit corporation shall commence on April 1 of each year and terminate on March 31 of the following year. However, this shall not apply if the articles of incorporation provides otherwise.

#### **Article 34-15-2. Accounting Principle**

The accounting of an audit corporation shall be made in accordance with the generally accepted accounting practices for business enterprises.

#### **Article 34-15-3. Preparation and Retention of Accounting Books**

1. An audit corporation shall prepare accurate accounting books on a timely basis in accordance with the Cabinet Office Ordinance.
2. An audit corporation shall retain accounting books and important documentation relating to its operations for 10 years after closing the accounting books.

#### **Article 34-15-4. Order to Submit the Accounting Books**

A court may order a party concerned in a lawsuit to submit all or part of its accounting books based on a claim or its own judgment.

#### **Article 34-16. Preparation of Financial Statements, etc.**

1. An audit corporation shall prepare a balance sheet as of the date of incorporation, in accordance with the Cabinet Office Ordinance.
2. An audit corporation shall prepare the balance sheet, income statement, and business report describing its business summary and the matters prescribed by Cabinet Office Ordinance and submit these documents to the Prime Minister within two months after the termination of each fiscal term.
3. An audit corporation may prepare or submit the documents prescribed in the preceding Paragraph in the form of an electromagnetic record (only by the methods stipulated in the Cabinet Office Ordinance).
4. An audit corporation shall retain the documents prescribed in Paragraph 2 for 10 years after the documents are prepared.

#### **Article 34-16-2. Order to Submit a Balance Sheet, etc.**

A court may order a party concerned in a lawsuit to submit all or part of the documents prescribed in Paragraph 2 of the preceding Article (excluding the business report) based on a claim or its own judgment.

#### **Article 34-17. Statutory Secession**

A partner of an audit corporation shall secede from it for the reasons enumerated in the following:

- (1) Revocation of registration as a Certified Public Accountant.
- (2) Occurrence of reasons prescribed by the articles of incorporation
- (3) Consent by all partners
- (4) Expulsion

#### **Article 34-18. Dissolution**

1. An audit corporation shall dissolve for the reasons enumerated in the following:

- (1) Occurrence of reasons prescribed by the articles of incorporation
- (2) Consent by all partners
- (3) Merger with another audit corporation
- (4) Decision of court on a commencement of bankruptcy procedures
- (5) Court decision to order dissolution.
- (6) Dissolution order in accordance with the provision of Paragraph 2 of Article 34-21.

2. Apart from the cases provided for in the preceding Paragraph, an audit corporation shall dissolve itself when the number of partners has been no more than four and continues to have less than five partners for a six month period, or remains no more than four at the point when the six month period has elapsed.

3. An audit corporation shall notify the Prime Minister that it has dissolved itself within two weeks after the date of dissolution, when it dissolved itself due to any reason other than those listed in Item 3 and Item 6 of Paragraph 1.

#### **Article 34-19. Merger**

1. An audit corporation may, upon consent of all partners, merge with other audit corporations.

2. Mergers shall become effective by registration made at the location of the principal office by the audit corporation continuing to exist after merger, or by the audit corporation newly created by such merger.

3. When an audit corporation merges with some other audit corporation, it shall report its merger to the Prime Minister together with a copy of the register book within two weeks after the date of its merger. When an audit corporation is newly created as a result of a merger, it shall attach a copy of the certification of incorporation and a copy of its articles of incorporation in place of a copy of the register book.

4. An audit corporation continuing to exist after a merger or an audit corporation newly created as a result of a merger shall take over the rights and duties of the audit corporation that ceases to exist due to the merger. The rights and duties taken over include those rights and duties arising from disciplinary action imposed by the administrative agency with regard to the audit corporation's services rendered.

#### **Article 34-20. Objection of Creditors**

1. When an audit corporation is to merge, any creditor of the audit corporation may express objections against the merger.
2. An audit corporation which is to merge shall give public notice of the matters enumerated below in the Official Gazette and individual notice to each of the known creditors. However, the period prescribed in Item 3 may not be less than one month.
  - (1) The fact that the audit corporation is to merge
  - (2) The name and location of the principal office of the audit corporation which will cease to exist because of the merger and name and location of the principal office of audit corporation which will continue to exist after the merger or the audit corporation newly created as a result of the merger
  - (3) The fact that a creditor may express objections within a certain period of time
3. Notwithstanding the provision of the preceding Paragraph, when an audit corporation which is to merge gives the public notice prescribed in the preceding Paragraph by the methods enumerated in Item 2 or Item 3 of Paragraph 1 of Article 939 of the Corporation Law in accordance with the provision of its articles of incorporation pursuant to the provision of Paragraph 1 of Article 939 of the Corporation Law applied mutatis mutandis pursuant to Paragraph 6 of this Article, a public notice in the Official Gazette shall suffice and the audit corporation shall not be required to give individual notice to each of the known creditors in accordance with the provisions of the preceding Paragraph.
4. When a creditor does not express objections during the period prescribed in Item 3 of Paragraph 2, the creditor shall be deemed to approve the merger.
5. When a creditor expresses objections during the period prescribed in Item 3 of Paragraph 2, the audit corporation which is to merge shall either settle with the creditor, provide reasonable collateral to the creditor, or entrust reasonable property to a trust company (the term "a trust company" as used in this Paragraph shall mean a trust company and a financial institution which renders trust services (a financial institution approved in accordance with Paragraph 1 of Article 1 of the Law Concerning a Financial Institution providing Trust Services (Law No. 43, 1943)) for the purpose of repayment to the creditor. However, this shall not apply when the merger is unlikely to harm the creditor.
6. The provisions of Paragraph 1 (limited to the portions relating to Item 2 and Item 3) and Paragraph 3 of Article 939, Paragraph 1 (limited to the portion relating to Item 3) and Paragraph 3 of Article 940, Article 941, Article 946, Article 947, Paragraph 2 of Article 951, Article 953, and Article 955 of the Corporation Law shall apply mutatis mutandis when audit corporations give the public notice prescribed in Paragraph 2. In this case, "the manner of public notice" in Paragraph 1 and Paragraph 3 of Article 939 shall be replaced by "the manner

of public notice of a merger.” Likewise, “corporation name” in Paragraph 3 of Article 946 of the Corporation Law shall be replaced by “name.”

#### **Article 34-20-2. Action for Invalidation of Merger**

The provisions of Paragraph 1 (limited to the portions relating to Item 7 and Item 8) and Paragraph 2 (limited to the portions relating to Item 7 and Item 8) of Article 828, Article 834 (limited to the portions relating to Item 7 and Item 8), Paragraph 1 of Article 835, Paragraph 2 and Paragraph 3 of Article 836, Articles 837 through 839, Article 843 (excluding Item 3 and Item 4 of Paragraph 1, and the proviso of Paragraph 2), and Article 846 of the Corporation Law shall apply mutatis mutandis to the action for invalidation of mergers of audit corporations. The provisions of Paragraph 5 of Article 868, Article 870 (limited to the portion relating to Item 15), Article 871 (main clause), Article 872 (limited to the portion relating to Item 4), Article 873 (main clause), Article 875, and Article 876 shall apply mutatis mutandis to a petition prescribed in Paragraph 4 of Article 843 of the Corporation Law applied mutatis mutandis in this Article.

#### **Article 34-21. Disciplinary Punishment for False or Undue Certification and Other**

1. The Prime Minister may give any necessary direction to the audit corporation when it is necessary to secure fair operation of the services provided under Paragraph 1 of Article 2, in case that the audit corporation violated this Law or any ordinance based on this law, or that it is deemed that the audit corporation’s services provided under the Paragraph is grossly inappropriate.
2. The Prime Minister may, where an audit corporation falls under any of the following Items, reprimand or suspend in whole or part the practice for a period not exceeding two years, or order the dissolution.
  - (1) Where financial documents containing falsities, errors or omissions are certified through the willful act of a partner as not containing such falsities, errors, or omissions.
  - (2) Where financial documents containing substantial falsities, errors or omissions are certified through the negligence of due care of a partner as not containing such substantial falsities, errors, or omissions.
  - (3) Where the audit corporation violates this Law or ordinances based on this Law or where the operation of the audit corporation is deemed grossly inappropriate.
  - (4) Where the audit corporation is not conforming to the direction according to the provision of the preceding Paragraph.
3. The provisions of Articles 32 through 34 shall apply mutatis mutandis to the disciplinary punishment described in the preceding Paragraph.
4. An audit corporation that is subject to disciplinary proceedings according to the provision of Paragraph 2 shall be deemed to continue to exist until the proceeding is over even after its liquidation is complete.
5. Even when an audit corporation is punished under Paragraph 2, the Certified Public Accountants as partner of that audit corporation also can be punished if they fall under Article

**Article 34-22. Mutatis Mutandis Application of Civil Code and the Corporation Law, etc.**

1. The provisions of Article 50 of the Civil Code (Law No. 89, 1896) and of Article 600, Article 618, Article 621, and Article 622 of the Corporation Law shall apply mutatis mutandis to audit corporations. The provisions of Article 55 of the Civil Code and Article 581, Article 582, Paragraph 1 and Paragraph 4 of Article 585, Article 586, Article 593, Article 595, Article 596, Article 601, Article 605, Article 606, Paragraph 1 and Paragraph 2 of Article 609, Article 611 (excluding the proviso of Paragraph 1), and Article 613 of the Corporation Law shall apply mutatis mutandis to a partner of an audit corporation. The provisions of Articles 859 through 862 of the Corporation Law shall apply mutatis mutandis to the expulsion of a partner of an audit corporation and the action for the extinction of the right to execute the operation and the power to represent the audit corporation. In such cases, “corporation name” in Article 613 of the Corporation Law shall be replaced by “name.” Likewise, “Justice Ministry Ordinance” in Item 2 of Paragraph 1 of Article 618 of the Corporation Law shall be replaced by “Cabinet Office Ordinance.” Likewise, “Paragraph 1 of Article 594 (including cases where the Paragraph is applied mutatis mutandis in Paragraph 2 of Article 598)” in Item 2 of Article 859 of the Corporation Law shall be replaced by “Paragraph 1 of Article 34-14 of the Certified Public Accountants Law.”
2. The provisions of Article 82 and Article 83 of the Civil Code, the provisions of Paragraph 2 of Article 35 and Article 40 of the Law of Procedures in Non-Contentious Matters (Law No. 14, 1898), and the provisions of Article 644 (excluding Item 3), Articles 645 through 649, Paragraph 1 and Paragraph 2 of Article 650, Paragraph 1 and Paragraph 2 (excluding the portion relating to the mutatis mutandis application of Article 594 of the Corporation Law) of Article 651, Article 652, Article 653, Articles 655 through 659, Articles 662 through 664, Articles 666 through 673, Article 675, Article 863, Article 864, Paragraph 1 of Article 868, Article 869, Article 870 (limited to the portions relating to Item 2 and Item 3), Article 871, Article 872 (limited to the portion relating to Item 4), Article 874 (limited to the portions relating to Item 1 and Item 4), Article 875, and Article 876 of the Corporation Law shall apply mutatis mutandis to the dissolution and the liquidation of audit corporations. In this case, “Item 5 of Article 641” in Item 1 of Article 644 of the Corporation Law shall be replaced by “Item 3 of Paragraph 1 of Article 34-18 of the Certified Public Accountants Law.” Likewise, “Item 4 or Item 7 of Article 641” in Paragraph 3 of Article 647 of the Corporation Law shall be replaced by “Item 5 or Item 6 of Paragraph 1 or Paragraph 2 of Article 34-18 of the Certified Public Accountants Law.” Likewise, “Justice Ministry Ordinance” in Paragraph 1 of Article 658 and Article 669 of the Corporation Law shall be replaced by “Cabinet Office Ordinance.” Likewise, “Items 1 through 3 of Article 641” in Paragraph 1 of Article 668 and Article 669 of the Corporation Law shall be replaced by “Item 1 or Item 2 of Paragraph 1 of Article 34-18 of the Certified Public Accountants Law.” Likewise, “Paragraph 1 of Article 939” in Paragraph 3 of Article 670 of the Corporation Law shall be replaced by “Paragraph 1 of Article 939 applied mutatis mutandis in Paragraph 6 of Article 34-20 of the Certified Public Accountants Law.” Likewise, “Article 580” in Paragraph 1 of Article 673 of the Corporation Law shall be replaced by “Article 34-10-5 of the Certified Public Accountants Law.”
3. The provisions of Article 824, Article 826, Paragraph 1 of Article 868, Article 870 (limited to the portion relating to Item 13), Article 871 (main clause), Article 872 (limited to the portion relating to Item 4), Article 873 (main clause), Article 875, Article 876, Article 904, and Paragraph 1 of Article 937 (limited to the portion relating to (b) of Item 3) of the Corporation Law shall apply mutatis mutandis to the order of dissolution of audit corporations. The

provisions of Article 825, Paragraph 1 of Article 868, Article 870 (limited to the portion relating to Item 2), Article 871, Article 872 (limited to the portions relating to Item 1 and Item 4), Article 873, Article 874 (limited to the portions relating to Item 2 and Item 3), Article 875, Article 876, Article 905, and Article 906 of the Corporation Law shall apply mutatis mutandis to the preservation of property of the audit corporation upon a petition prescribed in Paragraph 1 of Article 824 of the Corporation Law applied mutatis mutandis in this Paragraph. In such cases, “principal office and secondary office” shall replace “head office (head office and branch offices when the case prescribed in (h) of Item 1 is applicable and when the matters enumerated in the Items of Paragraph 2 of Article 930 of the Corporation Law are registered based on the resolution prescribed in (h) of Item 1)” in Paragraph 1 of Article 937 of the Corporation Law.

4. The provisions of Paragraph 1 (limited to the portion relating to Item 1) and Paragraph 2 (limited to the portion relating to Item 1) of Article 828, Article 834 (limited to the portion relating to Item 1), Paragraph 1 of Article 835, Articles 837 through 839, and Article 846 of the Corporation Law shall apply mutatis mutandis to the action for invalidation of incorporation of an audit corporation.
5. The provisions of Paragraph 2 of Article 833, Article 834 (limited to the portion relating to Item 21), Paragraph 1 of Article 835, Article 837, Article 838, Article 846, and Paragraph 1 of Article 937 (limited to the portion relating to (i) of Item 1) of the Corporation Law shall apply mutatis mutandis to the action for dissolution of an audit corporation. In this case, “principal office and secondary office” shall replace “head office (head office and branch offices when the case prescribed in (h) of Item 1 is applicable and when the matters enumerated in the Items of Paragraph 2 of Article 930 of the Corporation Law are registered based on the resolution prescribed in (h) of Item 1)” in the Paragraph.
6. The court which supervises the dissolution and the liquidation of audit corporations may seek the opinion of the Prime Minister or request the Prime Minister to carry out an investigation.
7. The Prime Minister may state his or her opinion to the court prescribed in the preceding Paragraph.
8. When the Paragraph 16 of the Bankruptcy Law (Law No.75, 2004) is applied, audit corporations shall be deemed as unlimited liability partnerships.

## **CHAPTER VI CPA AND AUDITING OVERSIGHT BOARD**

### **Article 35. Establishment**

1. The Certified Public Accountants and Auditing Oversight Board (hereinafter referred to as “the Board”) shall be established under the Financial Services Agency.
2. The Board shall administer the following:
  - (1) Investigating and deliberating disciplinary punishments of Certified Public Accountants and registered foreign Certified Public Accountants, and punishments of audit corporations
  - (2) Advising the Prime Minister on matters relating to administrative and other actions to be taken in order to secure proper executions of practice prescribed in Paragraph 1 of Article 2, provided by Certified Public Accountants, registered foreign Certified Public Accountants or audit corporations, and proper administration of the Japanese Institute of Certified Public Accountants
  - (3) Conducting the Certified Public Accountant Examination
  - (4) Matters which are under the authority of the Board, in addition to the preceding three Items, as prescribed in this Law.

### **Article 35-2. Exercise of Authority**

The chairperson and the members of the Board shall exercise the authority independently.

### **Article 36. Organization**

1. The Board shall be organized by the chairperson and members not exceeding nine in number.
2. The members shall take part-time positions. However, any one of the members may take a full-time position.

### **Article 37. Chairperson**

1. The chairperson shall preside over general affairs of the Board and represent the Board.
2. In cases where the chairperson is prevented from fulfilling his or her duties, a member nominated in advance shall act in his or her behalf.

### **Article 37-2. Appointment of Chairperson and Member**

1. The chairperson and members of the Board shall be appointed by the Prime Minister, under consent by the Houses of Representatives and Councilors, from among those who have an understanding and discernment about matters relating to Certified Public Accountants.

2. When the term of office of the chairperson or a member expired or, occurrence of vacancies, the Prime Minister, notwithstanding the provision of the preceding Paragraph, may appoint the chairperson or members from among those who are qualified as prescribed in the preceding Paragraph without obtaining prior consent by the Houses of Representatives and Councilors if the National Diet is closed or the House of Representatives is dissolved.
3. When the provision prescribed in the preceding Paragraph is applied, the Prime Minister, however, needs to obtain *ex post facto* approval from both the Houses of Representatives and Councilors in the Diet in session right after the appointment. In the event that either of the Houses does not approve the appointment, the Prime Minister shall dismiss the chairperson or the members immediately.

#### **Article 37-3. Term of Office of Chairperson and Member**

1. The term of office of the chairperson and members shall be three years. However, for the chairperson or the member who has been appointed in order to fill vacancies, his or her term of office shall be for the remaining period of his or her predecessor.
2. The chairperson and members may be re-appointed.
3. When the term of office of the chairperson or a member expires, the chairperson or the member shall continue to carry out his or her office until the appointment of his or her successor.

#### **Article 37-4. Tenure of Chairperson and Member**

The chairperson or a member shall not be dismissed against his or her will, during his or her tenure unless the Board acknowledges that he or she is inappropriate to carry out his or her responsibilities due to illness or injury, or engaged in certain misconducts such as breach of his or her professional duties or the like, which are inappropriate to his or her office.

#### **Article 37-5. Dismissal of Chairperson or Member**

The Prime Minister shall dismiss the chairperson or the member when he or she is falling under the preceding Article.

#### **Article 37-6. Service of Chairperson and Member and related Concerns**

1. The chairperson and members shall not divulge confidential matters known to him or her through his or her office. The chairperson and members shall have the same obligation after he or she has resigned from his or her office.
2. Neither the chairperson nor a member shall become an officer of political parties or other political organizations, or participate in political activities actively during the term of his or her office.
3. Neither the chairperson nor a full-time member shall, without the approval thereof from the Prime Minister, be engaged in other business for fee, manage business enterprises, or other activities looking for financial benefits.

### **Article 37-7. Salary of Chairperson and Member**

The salary of the chairperson and members shall be stipulated by another Law.

### **Article 38. Examiners**

1. Examiners shall be attached to the Board for the purpose of preparing problems and grading the results for the Certified Public Accountant Examination.
2. The examiners shall be appointed every time the examination is conducted by the Prime Minister on the recommendation of the Board, from among those having academic knowledge and experience necessary to administer competently the examination as prescribed in the preceding Paragraph, and shall retire from office upon the termination of the respective examination.
3. The examiners shall take part-time positions.

### **Article 39. Eliminated**

### **Article 40. Method of Proceeding and Resolution**

1. The Board shall not hold any meetings unless a majority of its members are present.
2. The business of the Board shall be resolved by a majority of the members present.
3. The board members shall not be entitled to participate in resolutions on such business relating to themselves.

### **Article 41. Secretariat**

1. The Board shall establish the secretariat and have the secretariat manage administrative matters of the Board.
2. A secretary-general and officials required for the work shall belong to the secretariat.
3. The secretary-general shall manage the administrative affairs of the Board under the direction of the chairperson.

### **Article 41-2. Recommendations**

When the Board exercises its authority prescribed in Paragraph 1 of Article 46-12 or Paragraph 1 or 2 of Article 49-3 as prescribed in Paragraph 2 of Article 49-4, the Board may, if deemed necessary, advise the Prime Minister on matters relating to administrative and other actions to be taken in order to properly manage the practices of Certified Public Accountants, registered foreign Certified Public Accountants or audit corporations as prescribed in Paragraph 1 of Article 2, and the administration of the Japanese Institute of Certified Public Accountants, based on the results of inspections.

## **Article 42. Proceedings**

In addition to those proceedings prescribed in Articles 35 through the preceding Article, proceedings of administration of the Board, its members, other officers, and any other matters necessary for the Board, shall be stipulated in the Cabinet Order.

## CHAPTER VI-II THE JAPANESE INSTITUTE OF CPAS

### Article 43. Incorporation, Purpose and Corporate Character

1. Certified Public Accountants shall, in accordance with the prescription of this Law, organize a single nation-wide institute, the Japanese Institute of Certified Public Accountants (hereinafter referred to as “the Institute”).
2. The objectives of the Institute shall be to maintain the professional attitude of Certified Public Accountants, to conduct the clerical business relating to the orientation of, communication with, and supervision over its members in order to improve and promote the practice cited in Paragraph 1 of Article 2, and to conduct clerical business relating to the registration of Certified Public Accountants.
3. The Institute shall be a legal entity.

### Article 44. Charter

1. The Institute shall stipulate the Charter, which shall contain matters enumerated in the following:
  - (1) Name and location of office
  - (2) Provisions relating to admission and secession
  - (3) Provisions relating to the classification of members and the duties and rights thereof
  - (4) Provisions relating to officers
  - (5) Provisions relating to board meetings
  - (6) Provisions relating to chapters
  - (7) Provisions relating to the registration of Certified Public Accountants
  - (8) Provisions relating to the Qualification Screening Committee
  - (9) Provisions relating to the maintenance of the professional attitude of members
  - (10) Provisions relating to the training of members
  - (11) Provisions relating to the practical training course for those who passed the Certified Public Accountant Examination
  - (12) Provisions relating to the investigation of the practice of members prescribed in Paragraph 1 of Article 2
  - (13) Provisions relating to the mediation of dissensions arising out of the practice of members

(14) Provisions relating to membership fees

(15) Provisions relating to accounting and assets

(16) Provisions relating to the secretariat

2. The amendment of the Charter shall not be effective, unless approved by the Prime Minister.

#### **Article 45. Chapters**

The Institute may, where deemed necessary to accomplish its objectives, establish chapters.

#### **Article 46. Registration**

1. The Institute shall be registered in accordance with the prescriptions of the Cabinet Orders.

2. The matters required to be registered in accordance with the provisions of the preceding Paragraph shall not be perfected against third party without registration.

#### **Article 46-2. Admission and Seccession**

A Certified Public Accountant or an audit corporation shall automatically become a member of the Institute, and shall automatically secede from the Institute when the registration of the Certified Public Accountant has been revoked or the audit corporation has been dissolved.

#### **Article 46-3. Obligation to Observe the Charter**

A member shall be required to observe the Charter.

#### **Article 46-4. Officers**

1. The Institute shall appoint a chairman and president, deputy presidents, and other officers prescribed by the Charter.

2. The chairman and president shall represent the Institute and preside over the business of the Institute.

3. The deputy president shall, in accordance with the instructions of the chairman and president, assist the chairman and president, act in the place of the chairman and president in the event of his or her absence, and shall conduct the duties of the chairman and president in the event that the chairman and president's post is vacated.

#### **Article 46-5. General Meeting**

1. The Institute shall hold a general meeting each year.

2. The Institute, when deemed necessary, may hold an extraordinary general meeting.

#### **Article 46-6. Matters Requiring Resolutions at the General Meeting**

Any amendments to the Charter, budget, and financial reports shall be approved by resolution at the general meeting.

#### **Article 46-7. Report on Resolution at the General Meeting**

The Institute shall report to the Prime Minister the resolution of general meetings, and appointments and retirements of officers.

#### **Article 46-8. Mediation of Dissent**

The Institute may mediate dissent relating to the practice of its members at the request of its members, concerned parties, or other interested parties.

#### **Article 46-9. Proposals and Reports**

The Institute may, concerning matters relating to the practice and system of Certified Public Accountants, make proposals to the government and other public bodies, and issue reports on questions raised by them.

#### **Article 46-9-2. Investigation of Audits and Attestations**

1. The Institute shall investigate the practice of members prescribed in Paragraph 1 of Article 2.
2. The Institute shall report to the Prime Minister periodically, or when deemed necessary, the result of the investigation prescribed in the preceding Paragraph.

#### **Article 46-10. Reporting on Facts Falling under Disciplinary Provisions**

1. The Institute shall, when it deems that its members fall under the provisions of Article 30, Article 31, or Article 34-21, report it to the Prime Minister.
2. The provision of Paragraph 2 of Article 32 shall be applied mutatis mutandis to cases where there is a report as prescribed in the preceding Paragraph.

#### **Article 46-11. Qualification Screening Committee**

1. The Qualification Screening Committee shall be established in the Institute.
2. The Qualification Screening Committee shall make necessary examinations at the request of the Institute, relating to the veto of registration under the provisions of Paragraph 3 of Article 19 and revocation of registration under the provision of Item 4 of Paragraph 1 of Article 21.
3. The Qualification Screening Committee shall be comprised of one chairperson and four members.
4. The chairman and president of the Institute shall be chairperson of the Committee.

5. The chairperson shall appoint the members of the Committee, with the approval of the Prime Minister, from among Certified Public Accountants, officials of the Financial Services Agency engaged in the administration concerning Certified Public Accountants, and other knowledgeable people.
6. The committee term of members shall be two years, provided that the term of the members of the committee substituted to fill vacancies shall be for the remainder of the term of the predecessor.
7. In addition to matters prescribed in each of the preceding Paragraphs, the necessary matters relating to the organization and operation of the Qualification Screening Committee shall be stipulated in the Cabinet Orders.

#### **Article 46-11-2. Balance Sheet and other Documents**

The Institute shall, without delay, make a public announcement of a balance sheet and statement of cash flows in an Official Gazette each year after the resolution by the general meeting as prescribed in Article 46-6, and keep the balance sheet and statement of cash flows, and supplemental schedules, business report and opinion thereof by an Auditor in the office for public reading for the period stipulated in the Cabinet Office Ordinance.

#### **Article 46-12. Reports and Inspections**

1. The Prime Minister may, when he or she deems it necessary in order to ensure proper operation of the Institute, request the Institute to submit reports or other materials, or have his or her officials enter the office of the Institute and inspect books, documents, and other materials.
2. Those officials making the spot inspections in accordance with the provisions of the preceding Paragraph must carry a certificate identifying their status and present it to any concerned party upon request.
3. The authority to conduct the spot inspections in accordance with the provision of Paragraph 1 shall not be interpreted as the authority for the purpose of criminal investigations.

#### **Article 46-12-2. Regulatory Orders**

The Prime Minister may, if deemed necessary to ensure proper operation of the Institute, order the Institute to modify its way of operations or to take necessary actions stipulated in the Charter of the Institute or other relevant rules when the Institute (a) violates laws or regulations, administrative disciplinary actions under laws or regulations, or the Charter of the Institute or other rules (hereinafter referred to as “the rules” in this Article); or (b) fails to exercise the authority admitted by this Law or ordinance based on this law, or the Chapter of the Institute or other rules in order to make members observe the rules, and to take other necessary actions against its members, despite their violation of the rules.

#### **Article 46-13. Revocation of Resolutions of the General Meetings**

The Prime Minister may order the revocation of resolutions of the general meetings when such

resolutions violate laws, regulations, the Charter of the Institute, or otherwise harm the public interest.

**Article 46-14. Mutatis Mutandis Application of the Civil Code**

The provisions of Article 44, Article 50, and Article 55 of the Civil Code shall apply mutatis mutandis to the Institute.

## **CHAPTER VII MISCELLANEOUS PROVISIONS**

### **Article 47. Prohibition of False Publications as Having Been Audited and Certified**

No person shall publicize that all or part of his or her financial documents has been audited or certified by a Certified Public Accountant, a registered foreign Certified Public Accountant, or an audit corporation, except when they actually have been audited or certified by a Certified Public Accountant, a registered foreign Certified Public Accountant, or an audit corporation.

### **Article 47-2. Restriction on Practice by Non-accountants**

No person other than a Certified Public Accountant or an audit corporation shall conduct the practice as prescribed in Paragraph 1 of Article 2 for fees at the request of others except in cases prescribed by laws.

### **Article 48. Restriction on the Use of Titles**

1. No person other than a Certified Public Accountant shall use the title of Certified Public Accountant or any other title which may be mistaken for the title of Certified Public Accountant.
2. The provision of the preceding Paragraph shall not prevent anyone from using those titles as prescribed under other laws, or a registered foreign Certified Public Accountant from using a proper title showing his or her qualifications.

### **Article 48-2.**

1. No entity other than audit corporations shall use, in their name, the word “audit corporation” or any other words, which may be mistaken for audit corporations.
2. No entity other than the Institute shall use the title of the Institute or any title which may be mistaken for the Institute.

### **Article 49. Documents Prepared in the Conduct of Service by a CPA or an Audit Corporation**

The data and other documents prepared by a Certified Public Accountant or by an audit corporation in connection with the conduct of an audit or certification at the request of others, except for cases otherwise stipulated in special agreements, belong to the Certified Public Accountant or the audit corporation.

### **Article 49-2. Obligation of CPA Employees and Other Persons to Observe Confidentiality**

Employees and other persons who are or were engaged in assistance to Certified Public Accountants, registered foreign Certified Public Accountants, or audit corporations shall not divulge, without due reason, to others or larcenously use the confidential information known to them through the assistance of the practices prescribed in Paragraph 1 or 2 of Article 2.

### **Article 49-3. Collection of Reports and Inspection**

1. The Prime Minister may, where he or she deems it necessary to protect public or investors' interest, request Certified Public Accountants, registered foreign Certified Public Accountants, or audit corporations to submit reports or other data concerning the practices prescribed in Paragraph 1 or 2 of Article 2.
2. The Prime Minister may, where he or she deems it necessary to protect public or investors' interest, have his or her officials enter the office or other relevant places of Certified Public Accountants, registered foreign Certified Public Accountants, or audit corporations concerning the practices prescribed in Paragraph 1 of Article 2, and to inspect books, documents, and other materials related to the practice.
3. Those officials making the spot inspections in accordance with the provisions of the preceding Paragraph must carry a certificate identifying their status and present it to any concerned party upon request.
4. The authority to conduct the spot inspections in accordance with the provision of Paragraph 2 shall not be interpreted as the authority for the purpose of criminal investigations.

#### **Article 49-4. Delegation of Authorities**

1. The Prime Minister shall delegate the authorities under this Law (excluding those prescribed in the Cabinet Orders) to the Commissioner of the Financial Services Agency.
2. The Commissioner of the Financial Services Agency shall, of his or her authorities under the provision of the preceding Paragraph, delegate the authority to administer the receipt of reports as prescribed in Paragraph 2 of Article 46-9-2, and the authorities prescribed in Paragraph 1 of Article 46-12, and Paragraphs 1 and 2 of the preceding Article (limited to those authorities related to reporting as prescribed in Paragraph 2 of Article 46-9-2) to the Board.
3. The Commissioner of the Financial Services Agency may delegate a part of the authorities as prescribed under provision of Paragraph 1 (excluding those authorities delegated to the Board as prescribed in the preceding Paragraph), based on the prescription of the Cabinet Orders, to the director generals of local finance bureaus or local finance branch bureaus.
4. The Board may delegate some part of administrative work regarding the execution of the Certified Public Accountant Examination to the director generals of local finance bureaus and the director generals of local finance branch bureaus.

#### **Article 49-5. Delegation to Cabinet Office**

Besides those prescribed in this Law, matters necessary for enforcing this Law shall be stipulated in the Cabinet Office Ordinance.

#### **Article 49-6. Transitional Arrangements**

In establishing or abolishing an ordinance based on the provisions of this Law, necessary transitional arrangements (including transitional arrangements concerning penalty provisions) may be stipulated by the ordinance to the extent that deemed reasonably necessary in order to establish

or abolish the ordinance.

## CHAPTER VIII PENAL PROVISIONS

### Article 50.

Those who violate the provisions of Article 47, or do not have the qualifications to be a Certified Public Accountant, or are not a registered foreign Certified Public Accountant, (including those who have the qualifications to be a Certified Public Accountant or registered foreign Certified Public Accountant but who fall under any of the Items of Article 4) and violate the provisions of Article 47-2 shall be punished with an imprisonment of hard labor for two years or less, or a fine of up to ¥ 2,000,000.

### Article 51.

Those who are registered as a Certified Public Accountant or a registered foreign Certified Public Accountant through dishonest or other illicit means shall be punished with a less-than-six-month imprisonment of hard labor, or a fine of up to ¥ 1,000,000.

### Article 52.

1. Those who violate the provisions of Article 27 (including those cases where such provisions are applied mutatis mutandis pursuant to Paragraph 6 of Article 16-2) or Article 49-2 shall be punished with a less-than-two-year imprisonment of hard labor, or a fine of up to ¥ 1,000,000.
2. The offence as prescribed in the preceding Paragraph shall not be instituted as a public prosecution without complaints.

### Article 53.

1. Those who fall under any of the following Items shall be punished with a fine of up to ¥ 1,000,000.
  - (1) Those who do not furnish reports or materials under the provisions of Paragraph 1 of Article 46-12 or Paragraph 1 of Article 49-3, or who furnish false reports or materials
  - (2) Those who refuse, obstruct, or shirk the spot inspections pursuant to the provisions of Paragraph 1 of Article 46-12 or Paragraph 2 of Article 49-3
  - (3) Those who violate the provision of Paragraph 1 of Article 48
  - (4) Those who violate the provisions of Paragraph 1 or Paragraph 2 of Article 48-2
2. The provision of Item 3 of the preceding Paragraph shall not apply to those falling under Item 3 of Article 54.

### Article 53-2.

Those who fail to state or record the items that are stipulated in Justice Ministry Ordinance regarding officially announced electrical investigation prescribed in the Paragraph on the books prescribed in the Paragraph, state or record false items, or fail to store the books in violation of the

Paragraph 1 of Article 955 of the Corporation Law applied mutatis mutandis in Paragraph 6 of Article 34-20 shall be punished with a fine of up to ¥300,000.

### **Article 53-3.**

When the representative of a corporation, or a proxy, an employee, or other person of a corporation or an individual engaged in the business of the corporation or the individual, violates, in connection with the business of such corporation or individual, the provisions of Article 50, Items 1, 2 or 4 of Paragraph 1 of the Article 53 or the preceding Article, in addition to the punishment received by the guilty person, such corporation or individual shall be fined an amount as prescribed in each of such Articles.

### **Article 54.**

Those who fall under any of the following Items shall be liable to a non-penal fine of up to ¥ 1,000,000.

- (1) Those who violate the provisions of Article 28-2 or Article 34-14-2
- (2) Those who are qualified to be a Certified Public Accountant or a registered foreign Certified Public Accountant who violate the provision of Article 47-2(excluding those who fall under any of the Items of Article 4. This definition shall also be applied in Item 3.)
- (3) Those who are qualified to be a Certified Public Accountant or a registered foreign Certified Public Accountant who violates the provisions of Paragraph 1 of Article 48

### **Article 55.**

Those who fall under any of the following Items shall be liable to a non-penal fine of up to ¥ 300,000.

- (1) Those who, in violation of the provisions of Item 1 of Paragraph 1 of Article 33 (including those cases where such provisions are applied mutatis mutandis in Paragraph 6 of Article 16-2 and Paragraph 3 of Article 34-21) concerning related parties or witnesses, do not appear, or do not express opinions, or makes false statements, or do not report, or make false reports
- (2) Those who, in violation of the provisions of Item 2 of Paragraph 1 of Article 33 (including those cases where such provisions are applied mutatis mutandis in Paragraph 6 of Article 16-2 and Paragraph 3 of Article 34-21) concerning appraisers, do not appear, or do not give expert opinions, or give false expert opinions
- (3) Those who, in violation of the provisions of Item 3 of Paragraph 1 of Article 33 (including those cases where such provisions are applied mutatis mutandis in Paragraph 6 of Article 16-2 and Paragraph 3 of Article 34-21) concerning the owners of the documents, do not submit the documents
- (4) Those who refuse, obstruct, or shirk the spot inspections under the provisions of Item 4

of Paragraph 1 of Article 33 (including those cases where such provisions are applied mutatis mutandis in Paragraph 6 of Article 16-2 and Paragraph 3 of Article 34-21)

**Article 55-2.**

Those who fall under any of the following Items shall be liable to a non-penal fine of up to ¥ 1,000,000.

- (1) Those who, in violation of the provision of Paragraph 3 of Article 946 of the Corporation Law applied mutatis mutandis in Paragraph 6 of Article 34-20, fail to report, or report false items.
- (2) Those who refuse a request enumerated in any of the Items of Paragraph 2 of Article 951 or any of the Items of Paragraph 2 of Article 955 of the Corporation Law applied mutatis mutandis in Paragraph 6 of Article 34-20 without due reason.

**Article 55-3.**

A partner or a liquidator of an audit corporation or officers of the Institute shall be liable to a non-penal fine of up to ¥ 300,000 if they fall under any of the following Items:

- (1) Where the registration is neglected, in violation of the provisions of the Cabinet Orders issued under this Law.
- (2) Where the articles of incorporation, the accounting books as prescribed in Paragraph 1 of Article 34-15-3, or the balance sheets as prescribed in Paragraph 1 of Article 34-16 fail to state or record required items, or state or record false items.
- (3) Where any documents or electromagnetic records are left un-filed or false documents or electromagnetic records are filed, in violation of Paragraph 2 or Paragraph 3 of Article 34-16.
- (4) Where a merger is undertaken, in violation of the provisions of Paragraph 2 or Paragraph 5 of Article 34-20.
- (5) Where no investigation is requested, in violation of the provision of the Article 941 of the Corporation Law applied mutatis mutandis in Paragraph 6 of Article 34-20.
- (6) Where a request for a bankruptcy declaration is neglected, in violation of the provision of Paragraph 1 of Article 656 of the Corporation Law applied mutatis mutandis in Paragraph 2 of Article 34-22.
- (7) Where properties are distributed, in violation of the provisions of Article 664 of the Corporation Law applied mutatis mutandis in Paragraph 2 of Article 34-22.
- (8) Where properties are disposed, in violation of the provisions of Paragraph 2 or Paragraph 5 of Article 670 of the Corporation Law applied mutatis mutandis in Paragraph 2 of Article 34-22.