

Notification Requirement for Foreign Audit Firms under the Revised Japanese CPA Law

I. Notification Requirement

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1. Who should make notification?

- Audit firms that prepare audit reports for entities listed on any stock exchanges of Japan, including TSE, OSE and JASDAQ ... Yes.
- Audit firms that prepare audit reports for entities that are not listed on Japanese Stock Exchanges but file continuous reports to JFSA... Yes.
- Audit firms that do not prepare audit reports for companies listed on Japanese Stock Exchanges but are involved in group audits by way of referred work for subsidiaries or company branches... No.

(Note) Entities include not only companies but also those in other forms including mutual funds.

2. What information should be provided (1/3)?

- Notification Documents + Attachments shall be submitted.
- Notification documents shall be completed in Japanese.
- Information contained within notification documents shall be published via the official gazette of Japan, both initially and when updated.

2. What information should be provided (2/3)?

(By way of notification documents)

Information contained within notification documents includes:

- Name and location of firm
- Amount of stated capital or equity of firm
- Name of board members of firm

2. What information should be provided (3/3)?

(By way of attachments)

Information contained within notification document may include:

- Articles of incorporation and certification of registry, or equivalent thereto
- Professional history of partners responsible for relevant engagements
- Outline of audit systems of jurisdiction where the firm is domiciled
- Outline of the firm's operations

3. When should notification be carried out?

- Subject audit firms shall provide notification in advance of performing relevant audit attestation service.
- Information contained within notification documents shall be updated within two weeks of the relevant events affecting information therein.
- If the firm ceases to conduct audits of relevant issuers or terminates all of its operations, notification thereof shall be provided.

4. What are the results in case of failure to provide notification?

- Audit reports issued by the audit firm are invalidated, if notification is not provided to the JFSA before audit report is released.
- This may lead to the delisting of the relevant audited company from Japanese Stock Exchanges, unless it appoints another auditor who has provided notification to the JFSA.