

III. Auditing

Japanese auditing systems have also been revised to become equivalent to the international level. To begin with, the Auditing Standards and the Implementation Guidance in Japan (Japanese GAAS) have become equivalent in substance to and consistent with the International Standards on Auditing ("ISAs") as a result of the establishment of the new Auditing Standards in January 2002, in which emphasis on discovering fraud and the treatments of "going concern" were clearly covered and "risk approach" thoroughly introduced and implemented. Accordingly, if foreign securities issuers are audited in accordance with ISAs, such audit is accepted in Japan.

In addition, in view of the international initiatives to strengthen the auditing regime in line with the U.S. Sarbanes-Oxley Act of 2002, the Certified Public Accountants Law ("CPA Law") was revised in May 2003 and will be effective in April 2004. This revision incorporates prohibition of providing certain non-audit services contemporaneously with audit services and requirement of audit partner rotation in order to enhance auditor independence. The CPA Law also incorporates establishing "the CPA and Auditing Oversight Board" ("CPAAOB") in order to enhance auditor oversight.

Through these revisions of auditing standards, new independence rules and auditor regulations, financial statements of listed companies which are audited by Japanese audit firms in accordance with Japanese GAAS have the same level of assurance as those audited in accordance with ISAs.

IV. Disclosure and Corporate Governance

Disclosure system in Japan is in line with the International Disclosure Standards (IDS) set by IOSCO in 1998. In March 2003, the disclosure system was further strengthened so as to include enhanced disclosure of risk information and governance-related information such as internal control system as well as improved MD&A (Management's Discussion and Analysis) disclosure.

Corporate governance system in Japan conforms to the "OECD Corporate Governance Principles." The corporate governance regimes have recently been strengthened, in particular, by enhanced measures including the introduction of an option of audit committee system in the Commercial Code and the Securities and Exchange Law and self-regulations established by the Japan Business Federation.

V. Contribution to Economy

There are approximately 75 Japanese issuers with shares listed and at least 180 issuers with bonds listed within the EU. Japanese securities issuers will continue to play an active part in the EU capital markets through the global business fund-raising activities and, as a result, will contribute to developments of the EU economy as well as the world economy.