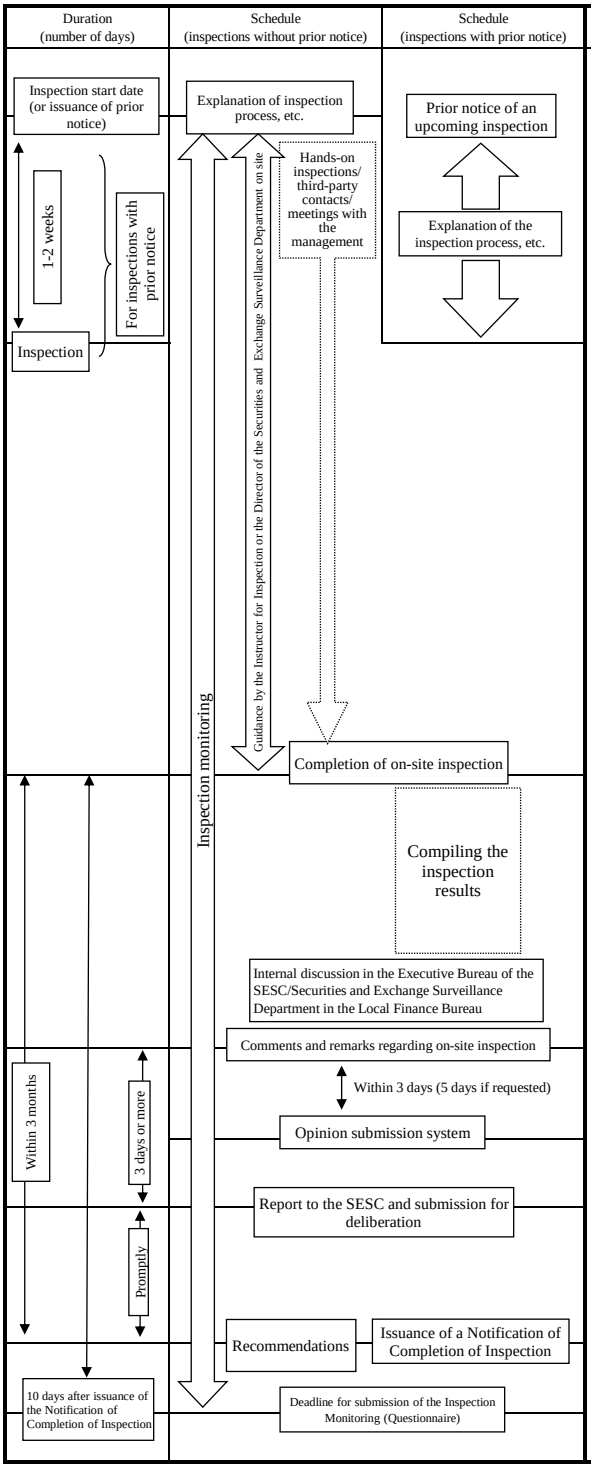
VII. Reference 1. Chart of Inspection Process



Remarks

(Inspections without prior notice)
- The chief inspector is to present his/her identification card for inspection and the Inspection Order to the person responsible for the inspection at the business operator (the "Person Responsible at the BO"), and explain the authority and purpose of the inspection, together with necessary information, including the opinion submission/inspection monitoring systems.
- At the start of the on-site inspection, the chief inspector is to have the Person Responsible at the BO fill in the name on the Letter of Consent to Nondisclosure of Inspection Information to Third Parties.

(Inspections with prior notice)
- The chief inspector is to give prior notice to the Person Responsible at the BO. When doing so, the chief inspector is to explain the authority and purpose of the inspection, indicate the start date of the inspection, request the safekeeping of documents from the date of the prior notice, and provide a list of documents required to be submitted.

(Inspections with prior notice)
- After giving prior notice and by the start date of the on-site inspection, the chief inspector is to present his/her identification card for inspection and the Inspection Order to the Responsible Person at the BO, and explain the opinion submission/inspection monitoring systems.
- The chief inspector is to have the Person Responsible at the BO fill in the name on the Letter of Consent to Nondisclosure of Inspection Information to Third Parties.

When considered necessary by the chief inspector for effectively identifying the actual state of the business operator and verifying the appropriateness of its business, inspectors are to conduct a hands-on inspection, in which they select and browse its original materials as needed, with a direct visit to the offices, data storage sites, and other locations where its officers and employees are working.

If the chief inspector determines that it is necessary to contact the clients to confirm the way that the business operator does business (third-party contacts), the chief inspector is to discuss with the Instructor for Inspection, report to the Director of the Securities Business Monitoring Division (or the Director of the Securities Exchange Surveillance Department, in the case of a Local Finance Bureau), and conduct such third-party contacts based on the instructions received.

When compiling the results upon completion of the on-site inspection, in order to thoroughly verify the appropriateness of business operations in accordance with laws and regulations, etc., the chief inspector is to accurately identify the facts, characteristics and root causes of each case to capture the issues, considering the ideas and approaches presented in the supervisory guidelines, principles, and discussion papers.

Based on the results of internal discussions, a draft inspection report is to be prepared together with a

The chief inspector's comments and remarks are to be communicated verbally in principle (or by another means, if considered appropriate by the Director of Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) from the viewpoint of efficiency), to the Person Responsible at the BO. In addition, the chief inspector is to explain the opinion submission system again and confirm any matters of disagreement with the business operator.

After the SESC has approved the draft recommendation document, the Executive Bureau of the SESC issues the finalized recommendation document to the Prime Minister and the Commissioner of the FSA in parallel with notifying the inspected business operator that the inspection has been completed. A press briefing is to be held in principle.