

Mr. Johnathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: Proposed Standards Relating to Listed Company Audit Committees (File No. S7-02-03)

Dear Mr. Katz,

Japan Corporate Auditors Association respectfully submits herein an opinion regarding “The Proposed Rule for the Standards Relating to Listed Company Audit Committees” (File No. S7-02-03).

Japan Corporate Auditors Association was established in 1974 with the permission of the Minister of Justice as a public-service corporation. The principal objective of the association is to develop and promote the corporate auditing system among Japanese companies through extensive surveys and research on best auditing practices for various subjects, thus contributing to the healthy development of the Japanese economy. The current membership of our Association comprises approximately 4,150 companies (93.4% of the companies listed on the Tokyo Stock Exchange First Section and 18 of the 19 Japanese companies listed on the New York Stock Exchange) and 6,200 corporate auditors. It is our hope that you will recognize the opinion expressed below to be representative of that of the members of this association who play the pivotal role in the Japanese corporate auditor system.

Opinion

Japan Corporate Auditors Association greatly appreciates the decision of the commission to exempt Japanese companies from the two proposed requirements for “the independence of audit committee members” and “the auditing committee’s responsibility to select and oversee the issuer’s independent accountant”, acknowledging the fact that the Japanese corporate auditor system, which is being operated under the Japanese legal system and corporate governance standards, is essentially the same as the U.S. system of a company audit committee.

Under Japan's corporate auditor system, corporate auditors are elected at shareholders' meetings, and their role is to audit the execution of directors' duties, **completely independent of the management and operations of the company. Under this system, each corporate auditor functions as an independent organ, and the autonomy of the corporate auditors is guaranteed.** In order to further strengthen the independence of corporate auditors, the Commercial Code of Japan has revised so that, effective 2005, the number of external auditors shall be increased from at least one to 50% or more of the number of corporate auditors. Subsequent to this revision it is expected that the full time corporate auditors groomed from within the corporation will be responsible for collecting reliable corporate information efficiently and sharing this information with external auditors for objective analysis, in order to further promote the independence of the corporate auditor system. In order to promote objective corporate auditing in Japan, the socioeconomic structure of which differs from those of other countries, we believe that the Japanese corporate auditor system is the most effective system to serve the purpose of providing external and independent auditing, which is in line with the Proposed Rule's principal objective of the independence of audit committee members.

Japan Corporate Auditors Association expresses the following two opinions:

With regard to foreign companies, we agree with the your decision to make them exempt from the application of the Proposed Rule (10A-3(c)(2)(i).

We believe there is no need to set a "sunset" date to reconsider the rule, because the existing Japanese corporate auditor system functions, as explained above, in essentially the same manner as the Sarbanes-Oxley Act of 2002 prescribes.

The above reflects the opinion of Japan Corporate Auditors Association with regard to the "The Proposed Rule for the Standards Relating to Listed Company Audit Committees", and we strongly urge your Committee to take the necessary steps to accommodate these opinions.

Respectfully yours,

Takeshi Yoshii
Chairperson

Japan Corporate Auditors Association
13th Floor Nihonbashi Plaza Building
2-3-4 Nihonbashi
Chuuoo-ku, Tokyo 103-0027
Japan

Note: Translation of Japanese terms for *kansayaku*, *kansayaku-kai*, *kansayaku-seido*

Due to the different nature of auditor systems in the United State and Japan, where the Japanese auditors focus their monitoring on the soundness of a company's management as opposed to the soundness of corporate accounting as in the case of the U.S, there is no fixed English translation for the Japanese term *kansayaku*. Since 1995, the Japan Corporate Auditors Association has used "corporate auditor" or "corporate statutory auditor" for *kansayaku* and "board of corporate (statutory) auditors" and "corporate (statutory) auditors system" for *kansayaku-kai*, and *kansayaku-seido*, respectively.