

# Work Outsourcing Agreement Terms and Conditions

## (General Rules)

Article 1 Based on these Terms and Conditions (including the Work Outsourcing Agreement (hereafter referred to as “the Agreement”)), Client and Contractor must execute this Agreement (referring to the outsourcing agreement for the work (hereafter referred to as “the Work”) described in these Terms and Conditions and Specifications, etc.) according to the Specifications, etc. (referring to the attached specifications, drawings, work description and written questions and answers; hereafter the same) and in compliance with the laws of Japan.

2 Contractor shall complete the Work within the performance period (hereafter referred to as the “performance period”) stated in the Agreement. If there are intended outputs (hereafter referred to as “deliverables”) of the Agreement, Contractor shall hand them over to Client, and Client shall pay the outsourcing fee.

3 Client can give instructions related to the Work to Contractor to ensure performance of the intended Work or completion of the deliverables. In such cases, Contractor must execute the Work according to the said instructions.

4 Contractor shall, at its own liability, stipulate all necessary means to complete the Work, except in cases where special provisions are given in these Terms and Conditions or the Specifications, etc. or there are instructions according to the preceding paragraph or consultations between Client and Contractor.

5 The language used by Client and Contractor concerning performance of this Agreement shall be Japanese.

6 The currency used for paying the amounts stipulated in these Terms and Conditions shall be Japanese yen.

7 The units of measure used by Client and Contractor concerning performance of this Agreement shall be those prescribed under the Measurement Law (Law No. 51, 1992), except in cases where special provisions are stipulated in the Specifications, etc.

8 Stipulations concerning term in these Terms and Conditions and Specifications, etc. shall be in accordance with provisions of the Civil Law Act (Law No. 89 of 1896) and the Commercial Law Act (Law No. 48 of 1899).

9 This Agreement shall comply with the laws of Japan.

10 Applications for lawsuits or mediation (excluding that conducted by the mediator that is appointed following consultation between Client and Contractor pursuant to the provisions of Article 46 paragraph 1) arising in relation to this Agreement shall be subject to the agreed exclusive jurisdiction of a court in Japan.

## (Giving of instructions and consultations in writing)

Article 2 Instructions, requests, notifications, reports, offers, consent, questions, responses and termination (hereafter referred to as “instructions, etc.”) stipulated in these Terms and Conditions must be given in writing.

2 Notwithstanding the provisions of the preceding paragraph, in urgent cases, Client and Contractor can give the instructions, etc. stipulated in the preceding paragraph orally. In such cases, Client and Contractor shall state the given instructions, etc. in writing and issue them to the other party within 7 days.

3 When Client and Contractor conduct consultations pursuant to the provisions of these Terms and Conditions, they shall record the discussed contents in writing.

## (Submission of a Work timetable)

Article 3 Contractor must prepare a Work timetable based on the Specifications, etc. and submit it to Client within 14 days (or the period that is permitted by Client) from binding of this Agreement.

2 When Client deems it necessary, it can request Contractor to make corrections to the Work timetable described in the preceding paragraph within 7 days from the day it receives the Work timetable.

3 In cases where the performance period or Specifications, etc. are changed pursuant to the provisions of these Terms and Conditions, Client can request Contractor to resubmit the Work timetable when it is deemed necessary. In such cases, the provisions of paragraph 2 shall be applied upon rereading “from binding of this Agreement” in paragraph 1 as “from the day the request was made”.

4 The Work timetable will not be binding on Client and Contractor.

5 Submission of the Work timetable pursuant to the provisions of paragraph 1 can be exempted when Client deems it not to be required.

## (Agreement deposit)

Article 4 When this Agreement is concluded, Contractor

must pay the amount stated in the Agreement document as the Agreement deposit.

- 2 The Agreement deposit stipulated in the preceding paragraph can be exempted when Client deems it not to be required.

**(Prohibition of transfer, etc. of rights and obligations)**

Article 5 Contractor must not transfer or succeed rights and obligations arising from this Agreement to a third party. However, except in cases where it is prohibited by law, this shall not apply in cases where prior consent is obtained from Client.

- 2 Contractor must not transfer or lend to third parties or offer for the purpose of a pledge or collateral the deliverables (including incomplete deliverables) and records, etc. obtained in the course of the Work. However, this shall not apply in cases where prior consent is obtained from Client.

**(Confidentiality)**

Article 6 Contractor must not divulge to others any secrets acquired in the execution of the Work.

- 2 Contractor must not transfer or let others view or copy the deliverables (including incomplete deliverables) and records, etc. obtained in the course of the Work without the consent of Client.

**(Protection of personal information)**

Article 7 In handling personal information for conducting the Work, Contractor must adhere to the separate “Special Items concerning Handling of Personal Information”.

**(Firsthand investigation, etc.)**

Article 8 When Client deems it to be necessary, it can request at any time a report from Contractor or conduct a firsthand investigation concerning the Work implementation conditions and the following items regarding persons engaged in the Work:

- (1)with respect to workers to whom the minimum wage prescribed in the Minimum Wage Act (Law No. 137 of 1959) Article 4 paragraph 1 is applicable, payment of a wage (referring to the wage prescribed in the Labor Standards Act (Law No. 49 of 1947) Article 11) equal to or greater than the minimum wage stipulated in the Minimum Wage Act Article 3 (concerning workers to whom the provisions of Article 7 of the said law are applicable, referring to the amount applied upon reducing pursuant to the provisions of the same Article),
- (2)giving of notification concerning acquisition of eligibility for insured persons pursuant to the

provisions of the Health Insurance Act (Law No. 70 of 1922) Article 48,

- (3)giving of notification concerning acquisition of eligibility for insured persons pursuant to the provisions of the Employees’ Pension Insurance Act (Law No. 115 of 1954) Article 27,

(4)giving of notification concerning establishment of an insurance relationship pursuant to the provisions of the Act on Collection, etc. of Insurance Premiums of Labor Insurance (Law No. 84 of 1969) Article 4-2 paragraph 1 (limited to cases pertaining to the provisions of the Industrial Accident Compensation Insurance Act (Law No. 50 of 1947)), and

- (5)giving of notification that a worker to be employed is an insured person for the applicable business pursuant to the provisions of the Employment Insurance Act (Law No. 116 of 1974) Article 7.

- 2 If it is deemed necessary to ensure Client’s appropriate implementation of budget pertaining to this Agreement, Client can request Contractor’s cooperation in an investigation of the situation regarding the handling of the Agreement.

- 3 If a request is made according to the preceding paragraph, unless there is no particular reason, Contractor shall respond to the request and continue to do so for 5 years from the completion date after the Agreement expires.

**(Implementation location)**

Article 9 Contractor shall implement the Work at the place of performance stated in the Agreement and Specifications, etc.

- 2 Contractor shall comply with rules concerning the Client’s safety and hygiene management in the Work implementation location.

- 3 If the place of performance is not designated in the Agreement, the provisions of the preceding paragraph 2 will not be applied.

**(Transfer, etc. of copyrights)**

Article 10 In the case where deliverables are categorized as works (hereafter referred to as “works”) under the Copyright Law (Law No. 48 of 1970) Article 2 paragraph 1 sub-paragraph 1, Contractor shall transfer to Client free of charge its copyrights out of those stipulated in the Copyright Law Chapter 2 and Chapter 3 (including the rights prescribed in Article 27 and Article 28; hereafter referred to as “copyrights, etc.” from this Article to Article 12) (not including the moral rights of the author stipulated in the Copyright Law

Chapter 2 Section 3 Subsection 2) when it hands over the deliverables.

**(Limitation of moral rights of the author)**

Article 11 Contractor gives consent for Client to conduct the following actions. In such cases, Contractor must not exercise the rights that are prescribed in the Copyright Law Article 19 paragraph 1 or Article 20 paragraph 1:

- (1)disclosing the contents of the deliverables,
  - (2)copying, adapting, modifying, changing or correcting the deliverables, or consigning a third party to perform copying, adaptation, modification, change or correction, and
  - (3)expressing the deliverables in photographs, models, paintings or another media form.
- 2 Contractor must not conduct the following actions, except in cases where it obtains Client’s prior consent or agreement:
- (1)disclosing the contents of the deliverables, and
  - (2)displaying Contractor’s actual name or assumed name on the deliverables.
- 3 When Client exercises copyrights, etc., Contractor must not exercise the rights that are stipulated in the Copyright Law Article 19 paragraph 1 or Article 20 paragraph 1.

**(Prevention of infringement of copyrights)**

Article 12 Contractor will guarantee to Client that the deliverables it creates will not infringe on copyrights, etc. held by third parties.

- 2 In cases where the deliverables created by Contractor infringe on copyrights, etc. held by third parties, making it necessary to compensate third parties for damages or take other necessary steps, Contractor shall bear the cost of compensation and take the other necessary measures.

**(Prohibition of reconignment, etc.)**

Article 13 Contractor must not consign or outsource the Work, either in its entirety or partially, to third parties. However, except when it is prohibited under law, this shall not apply in cases where the prior written consent of Client is obtained.

**(Use of patent rights, etc.)**

Article 14 When Contractor uses items that are subject to patent rights, utility model rights, design rights, trademark rights or other third party rights that are protected under Japanese legislation (hereafter referred to as “patent rights, etc.”) for the Work, it must bear all liability concerning use. However, in cases where Client

specified those patent rights, etc., no indication of the applicability of patent rights, etc. is given on the Specifications, etc., and Contractor was not aware that such rights existed, Client must bear any costs that are incurred by Contractor in using such rights.

**(Loaned items, etc.)**

Article 15 The names, quantities, etc. handover location and handover time of items required for the Work that are loaned or supplied by Client to Contractor (hereafter referred to as “loaned items, etc.”) shall be prescribed on the Specifications, etc.

- 2 When Contractor receives handover of loaned items, etc., it must submit a promissory note or receipt to Client within 7 days from the day of handover.
- 3 Contractor must manage loaned items, etc. with the due care of a prudent manager.
- 4 Contractor, acting in accordance with provisions of the Specifications, etc., must return to Client loaned items, etc. that are no longer needed due to completion of the Work or revision, etc. of Specifications, etc.
- 5 In cases where loaned items, etc. are destroyed, damaged or otherwise cannot be returned due to willful misconduct or negligence, Contractor must supply substitute items, return the loaned items, etc. upon restoring them to their original condition, or provide compensation in lieu of return within the period that is specified by Client.

**(Obligation to conduct repairs in the case where there is discrepancy between the Specifications, etc. and Work contents)**

Article 16 In cases where the contents of the Work do not comply with the Specifications, etc., the Client’s instructions or the contents that are discussed between Client and Contractor, Contractor must carry out the necessary repairs to ensure compliance with the said contents. In such cases, if the nonconformance in question is due to the instructions of Client or any other reason attributable to Client, where it is deemed necessary, Client must change the performance period or outsourcing fee or bear the necessary costs if any damages have been imparted to Contractor.

**(Revision of conditions, etc.)**

Article 17 In carrying out the Work, if Contractor discovers any of the following situations, it must immediately notify Client and request confirmation.

- (1)There is a fallacy or omission in the Specifications, etc.
- (2)Indications in the Specifications, etc. are unclear.

(3) There is discrepancy between the natural or human performance constraints and conditions indicated in the Specifications, etc. and the actual conditions.

(4) A special unforeseeable situation not specified in the Specifications, etc. arises in the performance conditions.

- 2 In cases where Client receives a request to conduct confirmation pursuant to the provisions of the preceding paragraph or it discovers any of the situations described in the preceding paragraph, it must immediately implement an investigation in the presence of Contractor. However, if Contractor refuses to attend, Client shall conduct the investigation without the presence of Contractor.
- 3 Client must hear the opinions of Contractor, compile the findings of the investigation (including instructions about actions to take if required) and notify Contractor of the findings within 14 days from completion of the investigation. However, if there is some unavoidable reason for not giving notification during this period, Client can extend the said period upon first hearing Contractor's opinion in advance.
- 4 In cases where any of the situations described in paragraph 1 are confirmed as a result of the investigation in the preceding paragraph, and Client deems it to be necessary, the Specifications, etc. must be changed or modified.
- 5 In cases where the Specifications, etc. are changed or modified due to the provisions of the preceding paragraph, where it is deemed necessary, Client must change the performance period or outsourcing fee or bear the necessary costs if any damages have been imparted to Contractor.

**(Revision of Specifications, etc.)**

Article 18 In cases where it is deemed necessary, Client can revise the Specifications, etc. upon notifying Contractor of the contents of revision. In such cases, where it is deemed necessary, Client must change the performance period or outsourcing fee or bear the necessary costs if any damages have been imparted to Contractor.

**(Suspension of Work)**

Article 19 In cases where it is deemed that Contractor cannot conduct the Work because consent cannot be obtained from the landowner to enter land that belongs to a third party or the condition of the worksite has changed dramatically for reasons not attributable to Contractor such as storms, torrential rain, flooding, high

tide, earthquake, landslide, cave-in, fire, disturbance, rioting or other natural or manmade conditions (referred to as "natural disasters, etc." in Article 28 paragraph 1), Client must immediately notify Contractor of the contents of Work suspension and temporarily suspend the Work in its entirety or partially.

- 2 In addition to the provisions of the preceding paragraph, in cases where it is deemed necessary, Client can notify Contractor of the contents of Work suspension and temporarily suspend the Work in its entirety or partially.
- 3 In cases where the Work is temporarily suspended pursuant to the provisions of paragraph 2 above, Client must revise the performance period or the outsourcing fee when there is deemed to be a necessity, or bear the necessary costs if Contractor incurs additional costs for preparing to continue the Work following the temporary suspension or if damages are imparted to Contractor.

**(Work proposals by Contractor)**

Article 20 In cases where Contractor discovers or originates technically or economically superior alternative methods or improvements to the Specifications, etc., it can propose to Client revision of the Specifications, etc. based on the discovery or idea in question.

- 2 In cases where Client deems there to be a necessity upon receiving a proposal from Contractor as stipulated in the preceding paragraph, it will notify Contractor of changes to the Specifications, etc.
- 3 In cases where the Specifications, etc. are revised pursuant to the provisions of the preceding paragraph, where it is deemed necessary, Client must change the performance period or outsourcing fee.

**(Extension of performance period based on request by Contractor)**

Article 21 In cases where Contractor cannot complete the Work within the performance period for reasons not attributable to itself, it can request Client to extend the performance period by means of a document that specifies the reasons.

- 2 In cases where a request is made pursuant to the provisions of the preceding paragraph, where it is deemed necessary, Client must extend the performance period. In cases where extension of the performance period is due to reasons attributable to Client, it must revise the outsourcing fee as deemed necessary or bear the necessary costs for damages that are imparted to Contractor.

**(Shortening, etc. performance period based on request**

**by Client)**

Article 22 In cases where it is necessary to shorten the performance period for special reasons, Client can request Contractor to shorten the performance period.

2 In cases where the performance period needs to be extended due to other provisions of these Terms and Conditions, if there are special reasons, Client can request Contractor to change to a performance period shorter than the performance period that is normally required.

3 In cases such as described in the preceding paragraph 2, where it is deemed necessary, Client must revise the outsourcing fee or bear the necessary costs if damages are imparted to Contractor.

**(Method for revising the performance period)**

Article 23 Changes to the performance period shall be decided in consultations between Client and Contractor. However, in cases where the consultations remain inconclusive for 14 days from the day of the start of consultations (or the number of days that is stipulated by Client in advance), Client will stipulate the changes and notify them to Contractor.

2 Client will determine and notify to Contractor the day of the start of consultations mentioned in the preceding paragraph upon hearing the opinions of Contractor. However, if Client does not notify the date of the start of consultations within 7 days from the day that the reason for revision of the performance period arises (in cases described in Article 21, the day that Client receives the request for revision of the performance period; in cases described in the preceding Article, the day that Contractor receives the request for revision of the performance period), Contractor can determine and notify to Client the date of the start of consultations.

**(Method for revising the outsourcing fee, etc.)**

Article 24 Changes to the outsourcing fee shall be decided in consultations between Client and Contractor. However, in cases where the consultations remain inconclusive for 14 days from the start of consultations (or the number of days that is stipulated by Client in advance), Client will stipulate the changes and notify them to Contractor.

2 Client will determine and notify to Contractor the date of the start of consultations mentioned in the preceding paragraph upon hearing the opinions of Contractor. However, if Client does not notify the date of the start of consultations within 7 days from the day that the reason for revision of the outsourcing fee arises,

Contractor can determine and notify to Client the date of the start of consultations.

3 In cases where Contractor incurs additional costs or damages due to the provisions of these Terms and Conditions, Client and Contractor will hold consultations to determine the amount of costs to be borne by Client.

**(Expedient measures)**

Article 25 Contractor must take expedient measures when they are deemed necessary to prevent disasters, etc. In such cases, Contractor must hear the opinions of Client in advance when it is deemed necessary, except in cases where the situation is urgent.

2 In cases such as described in the preceding paragraph, Contractor must immediately notify Client of the contents of measures it has taken.

3 Client can request Contractor to take expedient measures when they are deemed necessary for preventing disasters or for other particular need in the course of the Work.

4 In cases where Contractor takes expedient measures pursuant to the provisions of paragraph 1 or the preceding paragraph, out of the costs that are incurred, Client shall bear the portion that is deemed to be inappropriate for bearing by the Contractor within the scope of the outsourcing fee.

**(General damages)**

Article 26 Concerning damages that arise in the course of the Work (including damages that arise in deliverables if there are deliverables; not including the damages prescribed in paragraph 1 and paragraph 2 of the next Article) before the completion of the Work (before handover of the deliverables if there are deliverables), Contractor shall bear the cost. However, out of those damages (excluding the portion that is covered by insurance applied pursuant to the provisions of the Specifications, etc.), Client shall bear the cost for those that arise for reasons attributable to Client.

**(Damages imparted to third parties)**

Article 27 Concerning damages that are imparted to third parties in the course of the Work, in cases where compensation must be made for damages to third parties, Contractor shall bear the cost.

2 Notwithstanding the provisions of the preceding paragraph, out of the amount of compensation prescribed in the preceding paragraph (excluding the portion that is covered by insurance applied pursuant to the provisions of the Specifications, etc.), Client shall

bear the cost for compensating damages that arise due to Client's instructions, the condition of the loaned items, etc. or for other reasons attributable to Client. However, this shall not apply in cases where Contractor knew that Client's instructions and the loaned items, etc. were inappropriate or that there was another reason attributable to Client but gave no notification of this.

- 3 Concerning damages that are imparted to third parties due to ordinarily unavoidable noise, vibration or other factors in the course of the Work (excluding the portion that is covered by insurance applied pursuant to the provisions of the Specifications, etc.), if compensation must be paid to the third parties for the said damages, Client must bear the cost. However, Contractor shall bear the cost for compensation of damages that arise because it failed to display the due care of a prudent manager in the course of the Work.
- 4 In cases such as those described in the preceding paragraph 3 or cases where disputes arise with third parties in the course of the Work, Client and Contractor shall cooperate in resolving the issue.

**(Damages arising from force majeure)**

Article 28 Concerning damages that arise in the deliverables (including incomplete deliverables; hereafter the same in this Article), temporary installations or equipment that is carried into the implementation place for use in the Work as a result of natural disasters, etc. (limited to cases that exceed criteria prescribed in the Specifications, etc. if such criteria exist) or any other reason not attributable to Client or Contractor (referred to as "force majeure" in paragraph 6) before the completion of the Work (before handover of the deliverables if there are deliverables), Contractor must notify Client of the situation immediately after it occurs.

- 2 In cases where Client receives notification pursuant to the provisions of the preceding paragraph, it must immediately conduct an investigation to confirm the situation regarding the damages described in the preceding paragraph (not including those arising because Contractor failed to display the due care of a prudent manager, and those covered by insurance applied pursuant to the provisions of the Specifications, etc.; hereafter the same in this Article) and notify Contractor of the findings.
- 3 In cases where the situation regarding damages has been confirmed pursuant to the provisions of the preceding paragraph, Contractor can request that Client

bears the costs arising from the damages.

- 4 In cases where Client is requested by Contractor to bear costs arising from damages pursuant to the provisions of the preceding paragraph, Client must bear the portion of the total amount of the said damages (limited to the amount that can be ascertained by directly attending or from Contractor's Work records, etc. in deliverables, temporary installations or equipment that is carried into the implementation place for use in the Work) and cost incurred in clearing up the said damages (hereafter referred to as "total amount of damages") that exceeds 1/100 of the outsourcing fee.
- 5 The amount of the damages prescribed in the preceding paragraph will be calculated as follows according to each of the following applicable items.
  - (1) Damages to deliverables: This will be the amount of the outsourcing fee commensurate to the damaged deliverables, and if residual value exists, the amount will be that remaining following deduction of the assessed amount.
  - (2) Damages to temporary installations or equipment that is carried into the implementation place for use in the Work: Concerning damages deemed to be ordinarily appropriate in temporary installations or equipment that is carried into the implementation place for use in the Work, the amount will be that remaining following deduction of a depreciation amount commensurate to the deliverables at the time they are damaged from the depreciation amount assuming depreciation in the Work. However, in cases where functions can be restored by performing repairs and the cost of the said repairs is less than the amount described above, the amount of damages shall be the said cost of repairs.
- 6 In cases where the total amount of damages accumulates due to occurrence of force majeure on multiple occasions, concerning the burden of the total amount of damages arising from force majeure from the second incident onwards, the "amount of the said damages" in paragraph 4 will be applied as the "cumulative amount of the damages"; the "cost incurred in clearing up the said damages" will be applied as the "cumulative amount of the cost incurred in clearing up the damages"; and the "amount that exceeds 1/100 of the outsourcing fee" will be applied as the "amount following deduction of the amount already borne from the amount that exceeds 1/100 of the outsourcing fee".

**(Revision of Specifications, etc. in lieu of revision of the**

**outsourcing fee)**

Article 29 In cases where Client should increase the amount of the outsourcing fee or bear costs pursuant to the provisions of Article 14, Article 16 to Article 20, Article 22, Article 25, Article 26, and the preceding Article or Article 32, if there is a special reason, it can revise the Specifications, etc. in lieu of increasing the outsourcing fee or bearing costs, either in their entirety or partially. In such cases, Client and Contractor will hold consultations to determine the contents of revisions to the Specifications, etc. However, in cases where the consultations remain inconclusive for 14 days from the day of the start of consultations (or the number of days that is stipulated by Client in advance), Client will stipulate the changes and notify them to Contractor.

2 Client must determine and notify to Contractor the date of the start of consultations mentioned in the preceding paragraph upon hearing the opinions of Contractor. However, if Client does not notify the date of the start of consultations within 7 days from the day that the reason for increase of the outsourcing fee or bearing of cost arises, Contractor can determine and notify to Client the day of the start of consultations.

**(Inspection and handover)**

Article 30 When Contractor completes the Work, it must give notification to Client.

2 When Client receives notification pursuant to the provisions of the preceding paragraph, it must complete an inspection to confirm completion of the Work pursuant to the provisions of the Specifications, etc. in the presence of Contractor and notify Contractor of the findings within 10 days from the day it received the notification.

3 In the case where Contractor offers to hand over the deliverables following confirmation of the completion of Work through the inspection pursuant to the provisions of the preceding paragraph, Client must immediately accept handover of the deliverables.

4 If Contractor does not make the offer described in the preceding paragraph, Client can request that handover of the deliverables be conducted at the same time as completion of payment of the outsourcing fee. In such cases, Contractor must immediately respond to the said request.

5 In cases where the Work does not successfully pass the inspection described in paragraph 2, Contractor must immediately conduct repairs and receive inspection by Client. In such cases, the provisions of the preceding

paragraphs will apply accordingly assuming the completion of repairs to be the completion of the Work.

**(Payment of the outsourcing fee)**

Article 31 In cases where Contractor successfully passes the inspection described in the preceding Article paragraph 2 (including cases applied accordingly in the same Article paragraph 5; the same also applies regarding paragraph 3, Article 33 paragraph 2 and Article 43 paragraph 3), it can request payment of the outsourcing fee.

2 When Client receives a request pursuant to the provisions of the preceding paragraph, it must pay the outsourcing fee within 30 days from the day it received the request.

3 In cases where Client does not implement the inspection within the period prescribed in the preceding Article paragraph 2 for reasons attributable to itself, the number of days between the day after the deadline and the day the inspection was implemented shall be deducted from the period described in the preceding paragraph (hereafter in this paragraph referred to as the “stipulated period”). In such cases, if the number of days delayed exceeds the number of days of the stipulated period, the stipulated period shall be deemed to have expired on the day that the number of days delayed exceeded the number of days of the stipulated period.

**(Use of deliverables before handing over)**

Article 32 Client can use all or part of the deliverables upon obtaining consent from Contractor even before the handover pursuant to the provisions of Article 30 paragraph 3 or paragraph 4.

2 In the case of the preceding paragraph, Client must use the said deliverables with the due care of a prudent manager.

3 In cases where Client imparts damages to Contractor as a result of using all or part of the deliverables pursuant to the provisions of paragraph 1, it must bear the necessary costs.

**(Defect warranty)**

Article 33 In cases where Client discovers a hidden defect in the deliverables following handover, it can ask Contractor to conduct repairs upon designating a certain period, or it can request compensation of damages in lieu of or together with repairs.

2 Contractor’s liability in the preceding paragraph is not exempted by successful passing of the inspection described in the provisions of Article 30 paragraph 2.

3 Requests for repairs or compensation of damages

pursuant to the provisions of paragraph 1, in cases where the handover of deliverables is received pursuant to the provisions of Article 30 paragraph 3 or paragraph 4, must be made within 1 year from the day of handover.

- 4 Notwithstanding the provisions of the preceding paragraph, in cases where defects in the deliverables have been caused by the willful intention or gross negligence of Contractor, the period over which the request stipulated in the said paragraph can be made shall be 10 years from the day of handover.
- 5 In cases where Client realizes that the deliverables had defects at the time of handover, notwithstanding the provisions of paragraph 1, it cannot request repair or compensation of damages for the said defects unless it immediately notifies Contractor. However, this shall not apply in cases where Contractor was aware of the existence of the said defects.
- 6 The provisions of paragraph 1 shall not apply when the defects in the deliverables arose from the contents stated in the Specifications, etc., the Client's instructions or the condition of the loaned items, etc. However, this shall not apply in cases where Contractor was aware that the stated contents, instructions or loaned items, etc. were inappropriate but did not notify this.

**(Damages, etc. in cases of delayed performance)**

Article 34 In cases where the Work cannot be completed within the performance period for reasons attributable to Contractor, Client can request Contractor to pay damages.

- 2 The amount of damages described in the preceding paragraph shall be the amount of the outsourcing fee corresponding to the portion of Work not performed, which is decided by Client, calculated at a rate of 14.5 percent per annum (however, in cases where the special standard percentage in each year (referring to the percentage where 1 percent per annum is added to the percentage announced in the previous year pursuant to the provisions of the Special Taxation Measures Law (Law No. 26 of 1957) Article 93 paragraph 2; hereafter the same) is less than 7.25 percent per annum, it shall be the percentage obtained by adding the special standard percentage in the year where the special standard percentage is applied to 7.25 percent per annum during the said year) according to the number of days delayed.
- 3 In cases where payment of the outsourcing fee pursuant

to the provisions of Article 31 paragraph 2 is delayed for reasons attributable to Client, Contractor can request Client to pay interest on the unpaid amount for delay equivalent to 2.7 percent per annum (in cases where the rate determined by the Minister of Finance pursuant to the provisions of the Law on Prevention of Delay of Payment in Government Contracts (Law No. 256 of 1949) Article 8 paragraph 1 (hereafter referred to as "rate under the Law on Prevention of Delay of Payment") differs from this, Contractor can request Client to pay interest for delay equivalent to the amount calculated according to the rate under the Law on Prevention of Delay of Payment) according to the number of days delayed.

**(Client's right to terminate)**

Article 35 Client can terminate the Agreement in cases where any of the following situations apply to Contractor:

- (1) in case it fails to commence the Work without any legitimate reason even though the deadline for starting the Work has passed,
  - (2) when it is clearly recognized that it will not complete the Work within the performance period for reasons attributable to it,
  - (3) apart from the case described in the preceding sub-paragraph (2), when it is recognized that it has violated the Agreement and as a result cannot achieve the objectives of the Agreement,
  - (4) when it refuses to respond to a request for a report or it does not cooperate with an investigation as prescribed in Article 8 paragraph 1 without any legitimate reason,
  - (5) when a report or investigation pertaining to the personnel engaged in the Work as prescribed in Article 8 paragraph 1 reveals there has been a violation of the law and the said violation is not due to an error or the said violation is not corrected, or
  - (6) when it requests termination of the Agreement not pursuant to the provisions of Article 40 paragraph 1.
- 2 In any of the following cases, Contractor must pay a penalty equivalent to 1/10 of the outsourcing fee by the deadline that is specified by Client:
    - (1) when the Agreement is terminated pursuant to the provisions of the preceding paragraph, or
    - (2) when Contractor refuses to perform its obligations, or it becomes unable to perform for reasons attributable to Contractor.
  - 3 Cases where the following persons terminate the

Agreement shall be regarded as corresponding to sub-paragraph (2) of the preceding paragraph:

- (1) the administrator in bankruptcy that is appointed pursuant to the provisions of the Bankruptcy Act (Law No. 75 of 2004), in the case where the decision is made to commence bankruptcy proceedings regarding the Contractor,
  - (2) the administrator that is appointed pursuant to the provisions of the Corporate Reorganization Law (Law No. 154 of 2002), in the case where the decision is made to commence corporate reorganization proceedings regarding the Contractor, or
  - (3) the rehabilitation debtor, etc. that is appointed pursuant to the provisions of the Civil Rehabilitation Law (Law No. 225 of 1999), in the case where the decision is made to commence rehabilitation proceedings regarding the Contractor.
- 4 In cases such as described in paragraph 2, if a deposit is paid or collateral is provided in lieu of this pursuant to the provisions of Article 4, Client can allocate the said deposit or collateral to the penalty described in the same paragraph.

Article 36 Client can terminate the Agreement when any of the following situations regarding the Agreement apply to Contractor:

- (1) when Contractor is served with a cease and desist order under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Law No. 54 of 1947, hereafter referred to as the "Antimonopoly Act") Article 49 (hereafter in this sub-paragraph and the next paragraph referred to as a "cease and desist order") and the said cease and desist order is finalized,
  - (2) when Contractor is served with a payment order as prescribed in the Antimonopoly Act Article 62 paragraph 1 (hereafter in this sub-paragraph and the next paragraph referred to as a "payment order") and the said payment order is finalized, or
  - (3) when Contractor (including Contractor's executive officers or employees if Contractor is a corporation) is sentenced pursuant to the provisions of the Criminal Law (Law No. 45 of 1907) Article 96-6 or Article 198 or the Antimonopoly Act Article 89 paragraph 1 or Article 95 paragraph 1 sub-paragraph 1.
- 2 In cases where a cease and desist order or payment order, which claims that Contractor behaved in a

manner that violated the provisions of the Antimonopoly Act Article 3 or Article 8 paragraph 1 sub-paragraph 1 in respect to the Agreement, is served to a party other than Contractor, and the said order is finalized, Client can terminate the Agreement.

- 3 The provisions of the preceding Article paragraph 2 and paragraph 4 shall apply accordingly to cases where the Agreement is terminated pursuant to the provisions of the preceding paragraph 2.

Article 37 Client can terminate the Agreement in cases where any of the following situations apply to Contractor:

- (1) when an executive officer, etc. (referring to: if Contractor is an individual, that person; if Contractor is a corporation, its executive officer, or representative of branch or sales office (referring to the office that binds an outsourcing agreement for regular work); hereafter the same) is deemed to be an associate (hereafter referred to as a "crime syndicate associate") of an organization that is feared to collectively or habitually conduct violent illegal behavior (hereafter referred to as "crime syndicate"),
- (2) when an executive officer, etc. is deemed to utilize a crime syndicate, crime syndicate associates, a corporation or association, etc. in which a crime syndicate associates are deemed to be involved in the actual management or operation, or a corporation or association, etc. that is deemed to have reprehensible relations with a crime syndicate or crime syndicate associates,
- (3) when an executive officer, etc. is deemed to be actively cooperating or involved with maintenance of a crime syndicate through supplying funds, etc. or providing conveniences to a crime syndicate, crime syndicate associates, or a corporation or association, etc. in which a crime syndicate associates are deemed to be involved in the actual management or operation,
- (4) apart from the preceding sub-paragraph (3), when an executive officer, etc. is deemed to have socially reprehensible relations with a crime syndicate or crime syndicate associates,
- (5) when a crime syndicate associate is deemed to have substantial involvement in the management of Contractor,
- (6) when Contractor is deemed to have signed a subcontracting agreement or other agreement with

any of the parties described in the above sub-paragraphs in spite of knowing the identity of the said parties, or

(7) when Contractor has signed a subcontracting agreement or other agreement with any of the parties described in sub-paragraph (1) through sub-paragraph (5) (excluding cases described in the preceding sub-paragraph) and it refuses to comply with Client's request to terminate the said agreement.

2 The provisions of Article 35 paragraph 2 and paragraph 4 shall be applied accordingly in cases where the Agreement is terminated pursuant to the provisions of the preceding paragraph.

Article 38 Client can terminate the Agreement in cases where conditions arise pursuant to the provisions of Article 35 paragraph 1, Article 36 paragraph 1 and paragraph 2, and the preceding Article paragraph 1 or otherwise when necessary in the period before completion of the Work.

2 In cases where damages are imparted to Contractor as a result of Client terminating the Agreement pursuant to the provisions of the preceding paragraph, Client must compensate the said damages.

**(Exclusion of unlawful intervention by crime syndicates, etc.)**

Article 39 In cases where Contractor is subject to unlawful intervention by a crime syndicate, etc. in performing the Agreement, it must immediately report so to Client and notify the police department that has jurisdiction.

2 In cases such as described in the preceding paragraph, Contractor must cooperate with Client and the police department that has jurisdiction in taking measures to exclude the unlawful intervention.

3 In cases where Contractor incurs damages as a result of unlawful intervention by a crime syndicate, etc. it must immediately report so to Client and submit a report of damage to the police department that has jurisdiction.

**(Contractor's right to terminate)**

Article 40 Contractor can terminate the Agreement in any of the following cases:

(1) when the outsourcing fee is reduced by two-thirds or more due to revisions to the Specifications, etc. made pursuant to the provisions of Article 18,

(2) when the period of Work suspension pursuant to the provisions of Article 19 exceeds 50% of the performance period (6 months if 50% of the

performance period exceeds 6 months); however, in cases where only part of the Work is suspended, when the suspension is not cancelled even after 3 months elapse following completion of the remainder of the Work, and

(3) when performance of the Agreement becomes impossible due to breach of the Agreement by Client.

2 In the case where Contractor terminates the Agreement pursuant to the provisions of the preceding paragraph, if it has incurred damages, it can request that Client pay compensation for the damages.

**(Effect of termination)**

Article 41 In the case where the Agreement is terminated, the obligations of Client and Contractor stipulated in Article 1 paragraph 2 will lapse.

2 Notwithstanding the provisions of the preceding paragraph, in cases where the Agreement is terminated pursuant to the provisions of Article 35 to Article 38 or Article 40, and it is deemed necessary for Client to accept handover of the part already completed by Contractor (hereafter referred to as the "already performed part" in this paragraph and the following Article paragraph 2), Client can receive handover of the portion of the already performed part that successfully passes inspection. In such cases, Client must pay to Contractor the outsourcing fee that corresponds to the already performed part that is handed over (referred to as the "outsourcing fee for the already performed part" in the next paragraph).

3 The outsourcing fee for the already performed part described in the preceding paragraph will be decided in consultations between Client and Contractor. However, if the consultations fail to be conclusive within 14 days from the start of consultations, Client will decide the outsourcing fee for the already performed part and notify it to Contractor.

**(Measures accompanying termination)**

Article 42 In the case where the Agreement is terminated and there are loaned items, etc., Contractor must return the loaned items, etc. to Client. In such cases, if the loaned items, etc. are destroyed or damaged due to the willful misconduct or negligence of Contractor, Contractor must supply substitute items, return the loaned items, etc. upon restoring them to their original condition, or provide compensation in lieu of return.

2 In the case where the Agreement is terminated, if there are deliverables that belong to or are managed by

Contractor (including incomplete items, not including the already performed part that successfully passes the inspection stipulated in the preceding Article paragraph 2), equipment for use in the Work, temporary installations or other property (including property and loaned items, etc. that belong to or are managed by parties that have been consigned or outsourced by Contractor to perform part of the Work pursuant to the provisions of the proviso in Article 13 but cannot be returned due to willful misconduct or negligence; hereafter the same in this Article) at the Work implementation location, Contractor must remove the said objects, restore and tidy up the worksite, and vacate it for Client.

3 The costs incurred in conducting the removal, restoration to original state or clearing-up described in the preceding paragraph (hereafter referred to as the "removal costs, etc." in this paragraph and the following paragraph) will be borne by Client or Contractor according to the removal costs, etc. and provisions described in the following items:

(1)removal costs, etc. related to deliverables; if termination of the Agreement is based on Article 35 to Article 37, Contractor will bear them, and if it is based on Article 38 or Article 40, Client will bear them.

(2)removal costs, etc. related to survey machines, devices, temporary installations, etc.: Contractor will bear them.

4 In the case described in paragraph 2, if Contractor does not carry out the removal of applicable objects or restoration to original state and clearing-up of the worksite within a considerable period without a good reason, Client can dispose of the said objects or restore the worksite to its original state and clear up in place of Contractor. In such cases, Contractor cannot raise an objection to the disposal, restoration to original state or clearing-up by Client and it must bear the removal costs, etc. that are incurred by Client (excluding costs related to Work deliverables borne by Client pursuant to the provisions of the preceding paragraph sub-paragraph 1).

5 Concerning the deadline, methods, etc. for the measures that should be taken by Contractor pursuant to the provisions of the first part of paragraph 1, Client will decide if termination of the Agreement is based on Article 35 to Article 37, and Contractor will decide upon hearing Client's opinion if termination of the Agreement is based on Article 38 or Article 40.

Concerning the deadline, methods, etc. for the measures that should be taken by Contractor pursuant to the provisions of the latter part of paragraph 1 and paragraph 2, Client will decide upon hearing Contractor's opinion.

**(Scheduled damages)**

Article 43 In cases where Client can terminate the Agreement pursuant to the provisions of Article 36 paragraph 1 and paragraph 2, regardless of whether or not it terminates the Agreement, it can request that Contractor pay damages equivalent to 1/5 of the outsourcing fee within a period specified by Client.

2 In the case where the cost of damages actually incurred by Client exceeds the amount specified in the preceding paragraph, the provisions of the preceding paragraph shall not prevent Client from also requesting payment of the amount of excess.

3 The provisions of the preceding paragraph 2 shall apply even after the inspection described in Article 30 paragraph 2 has been successfully passed.

**(Insurance)**

Article 44 In cases where Contractor appends insurance based on the Specifications, etc. or optionally, it must immediately present the insurance certificate or its equivalent to Client.

**(Collection of compensation, etc.)**

Article 45 Client can offset Contractor's compensation, damages or breach penalty based on the Agreement against the outsourcing fee that it owes, and it can additionally collect any deficit.

**(Resolution of disputes)**

Article 46 In cases where consultations between Client and Contractor prescribed in the Articles of these Terms and Conditions remain inconclusive, Contractor appeals against decisions made by Client, or any other dispute arises between Client and Contractor concerning the Agreement, Client and Contractor shall select a mediator upon holding consultations and seek a resolution according to the mediator's intercession or mediation. In such cases, concerning costs incurred in processing the dispute, excluding those based on special provisions decided in consultations between Client and Contractor, Client and Contractor will equally split those pertaining to appointment of the mediator while respectively bearing other costs.

2 Notwithstanding the provisions of the preceding paragraph, in cases where it is deemed necessary, Client or Contractor can file an action based on the Civil

Proceedings Act (Law No. 109 of 1996) or file a petition for conciliation under the Law for Conciliation of Civil Affairs (Law No. 222 of 1951) concerning disputes between Client and Contractor irrespective of whether or not procedure for resolving the dispute as stipulated in the said paragraph is pending or in progress.

**(Items outside of the Agreement)**

Article 47 Items that are not stipulated in these Terms and Conditions shall be determined in consultations between Client and Contractor according to the necessity.

**(Preparation of relevant documents)**

Article 48 Contractor shall prepare relevant documents clarifying the Work accounts and archive these for 5 years from the day that the performance period ends.