

Building Confirmation
and
Inspection Services
Current Situation in Japan

By ERI Holdings Co., Ltd.
8-5-26 Akasaka, Minato-ku, Tokyo 107-0052,
Japan
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Opening Up of Building Confirmation and Inspection Services to the Private Sector

Background

Up until 1998, the public sector did not provide building confirmation, inspection and other required services efficiently or in a way that gave client satisfaction.

It was necessary to create a competent and efficient system for the execution of building confirmation and inspection services based on improved role sharing between the public and private sectors.

Prior status of public-sector building confirmation and inspection services

In the fiscal year ended March 1996, for each public-sector building official who carried out building confirmations in Japan, there were 770 construction starts.

- Number of construction starts: 1,400,000 per year
- Number of building officials: approx. 1,800
- Japan's number of public-sector employees involved with construction is small compared to other countries.
(per 100,000 of population, there are 5.8 in Japan, 25.7 in the US and 23.0 in Australia)

Major points of the 1998 amendment to the Building Standard Law

For the first time, the Japanese Government allowed independent and impartial private-sector bodies to engage in the provision of building confirmation and inspection services, which had previously been exclusively conducted by public-sector building officials.

Creating of provisions for introduction of building confirmation and inspection services by private-sector bodies

The building confirmation and inspection services provided by designated confirmation and inspection bodies have the same legal force as the confirmation and inspection services carried out by public-sector building officials.

Details of designated confirmation and inspection bodies

Eligibility:

Both profit and non-profit corporations are eligible to become designated confirmation and inspection bodies.

Designations:

There are three types of designation.

1. The Minister for Land, Infrastructure, Transport and Tourism designates corporations that are allowed to provide building confirmation and inspection services across Japan.
2. Regional bureaus designate corporations that are allowed to provide building confirmation and inspection services in a specific region within Japan.
3. Prefectural governors designate corporations that are allowed to provide building confirmation and inspection services in the respective prefecture.

Criteria for designation

- The employment of a certain number of private-sector building inspectors who are qualified in the assessment of conformity with building standards.
- None of the body's executives are able to influence the fair running of building confirmation and inspection services.
- The body has no other services that could lead to building confirmation and inspection services being ran in an unfair manner.

Relationship between designated administrative agencies and designated confirmation and inspection bodies

- A designated confirmation and inspection body may make inquiries as necessary to designated administrative agencies, and a designated administrative agency may give instructions as necessary to designated confirmation and inspection bodies and may revoke confirmation-related decisions made by such bodies.
- Designated confirmation and inspection bodies may independently make decisions regarding examination procedures.

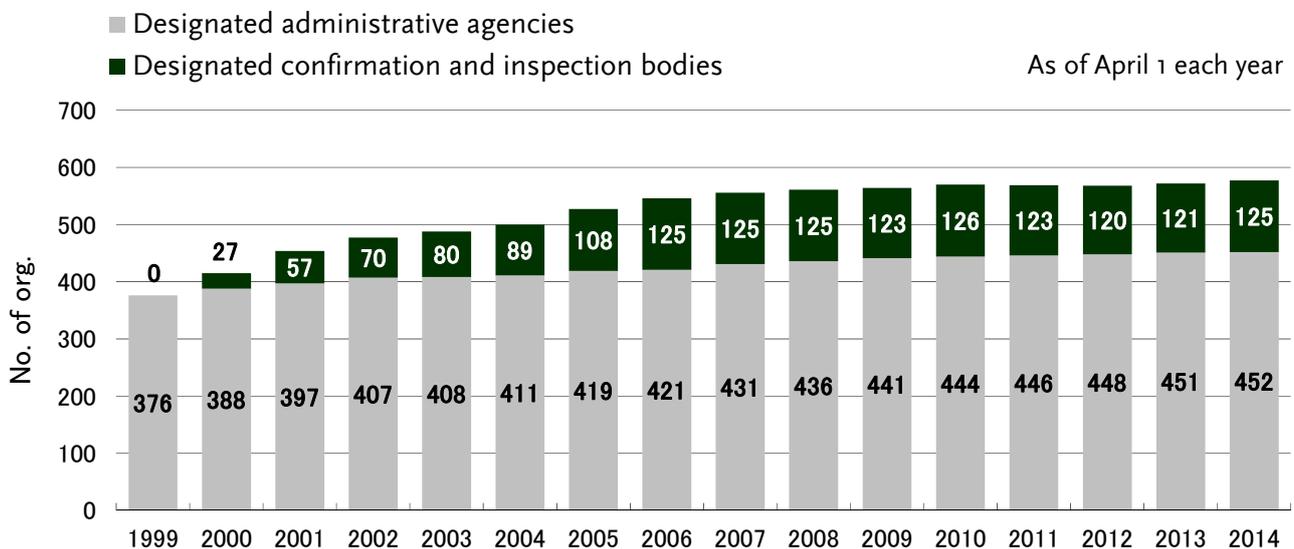
Effect on the public sector

The amendment to the Building Standard Law made it possible to provide building confirmation and inspection services that meet the needs of building owners. The effective participation by designated confirmation and inspection bodies has allowed public-sector offices to focus on indirect control activities that will serve to maintain an efficient system. These activities include auditing, policing violations and imposing penalties on violators.

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Market for Building Confirmation and Inspection Services

Changes in the number of designated administrative agencies and designated confirmation and inspection bodies



Breakdown of designated administrative agencies as of April 1, 2014

Under Article 4, paragraph 1, of the Law: 47 prefectures and 88 cities

Under Article 4, paragraph 2, of the Law: 143 cities

Under Article 97-2 of the Law: 174 cities and Tokyo 23 wards

Changes in the breakdown of designated confirmation and inspection bodies by jurisdiction

As of April 1 each year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
By jurisdiction	70	80	89	108	125	125	125	123	126	123	120	121	125
Minister for Land, Infrastructure, Transport and Tourism	9	13	13	14	17	16	17	18	20	20	21	22	23
Regional bureau	5	8	13	28	34	36	34	35	36	35	33	33	35
Prefectural governor	56	59	63	66	74	73	74	70	70	68	66	66	67

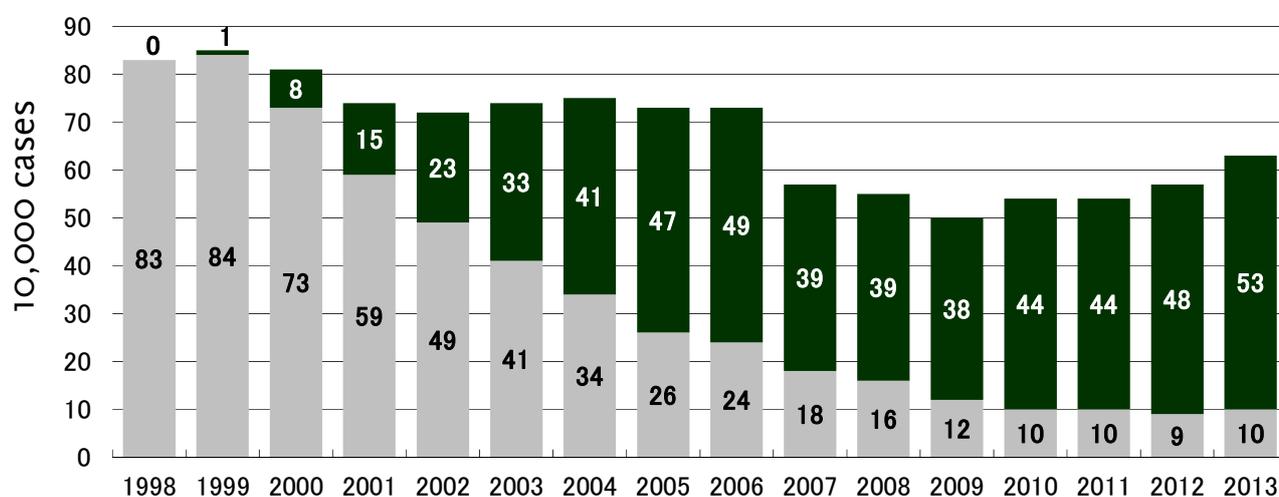
Breakdown of designated confirmation and inspection agencies by corporate type as of April 1, 2014.

40 incorporated foundations, 3 incorporated associations,
79 corporations, 2 limited liability companies, 1 non-profit corporation

Number of buildings receiving building confirmations

Approx. 630,000 annually in 2013 (15% by public bodies, and 85% by private bodies)

- Designated administrative agency
- Designated confirmation and inspection body



* This fiscal year begins on April 1 of each year and ends on March 31 of the following year.

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Process for Building Confirmation and Inspection Services

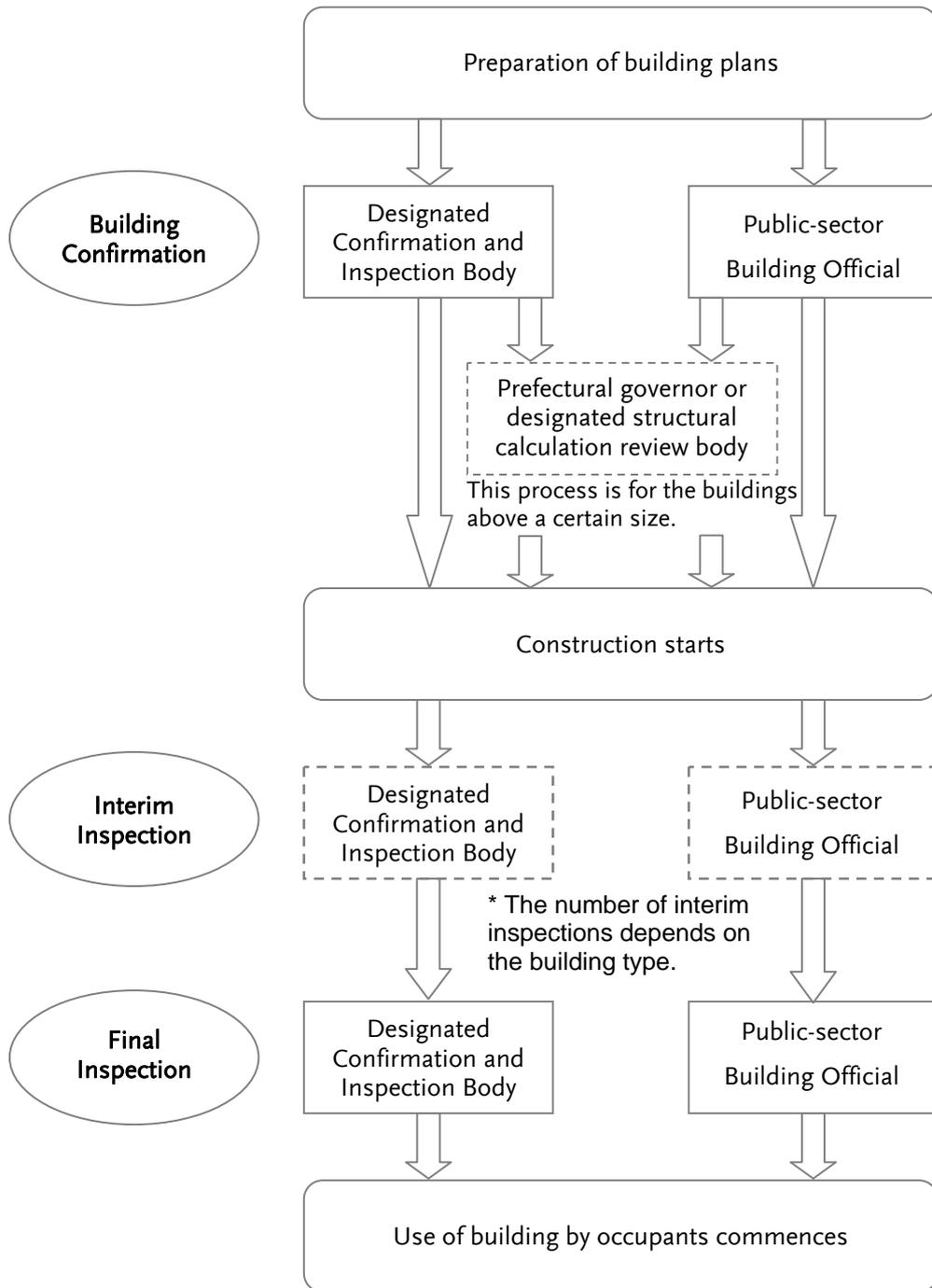
Partial amendment in 2007 to laws including the Building Standard Law to ensure building safety

In 2005, after incidents involving the forging of structural calculations, the Building Standard Law was partially revised to ensure building safety. Key points in this amendment include the adding of a new process for the verification of structural calculations at the direction of prefectural governors and designated structural calculation review bodies in order to strengthen the supervision of designated confirmation and inspection bodies.

More stringent building confirmations and inspections

- A designated body must carry out a verification of structural calculations for buildings that exceed a specified height*.
 - * For wooden buildings: roof height of 13 m, or eaves height of 9 m
 - For reinforced concrete buildings: height of 20 m
- For apartment houses that are at least three stories tall, at least one interim (i.e., mid-construction) inspection is required by law.

Process for Building Confirmation and Inspection



* After the designated confirmation and inspection body completes the building confirmation and inspection, it informs the relevant designated administrative agency of the results.