

Okinawa Institute of Science and Technology School Corporation
Contract Management Stipulations

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Okinawa Institute of Science and Technology School Corporation
Contract Management Stipulations

(November 22, 2011)

Approved by the Vice-President for Finance and Administration

(Purposes)

Article 1

These Stipulations specify the necessary items concerning the handling of the management of sales, purchase, lease, service, and other contracts concluded by the Okinawa Institute of Science and Technology School Corporation (hereinafter referred to as the "Corporation") for the appropriate and smooth handling of contract management, as stipulated by the Okinawa Institute of Science and Technology School Corporation Chapter 28 Procurement of Policies, Rules and Procedures.

(Parties That May Not Be Allowed to Participate in Competitive Bidding)

Article 2

Parties that lack the abilities to conclude the concerned contracts and parties that are bankrupt and have not been rehabilitated may not be allowed to participate in the competitive bidding for sales, purchase, lease, service, and other contracts.

(Parties That May Be Prohibited from Participating in Competitive Bidding)

Article 3

1. Parties to which any of the following is deemed to apply may be prohibited from participating in competitive bidding for a period of two years after the concerned acts. This also applies to those who use said parties as their representatives, managers, or employees.
 - (1) Parties that have intentionally committed shoddy construction or production in the performance of a contract, or that have committed illegitimate acts concerning the quality or quantity of items.
 - (2) Parties that have obstructed the performance of fair competitive bidding or colluded to impair fair pricing or earn illicit gains.

- (3) Parties that have hindered successful bidders from concluding contracts or hindered contractors from performing their contracts.
 - (4) Parties that have obstructed the work duties of employees implementing supervision or inspections
 - (5) Parties that have failed to perform their contracts without just cause
 - (6) Parties that have used other parties as representatives, managers, or employees for the performance of contracts within two years after said other parties committed any of the above-specified acts
2. Parties that use any of the parties specified in the previous paragraph as bidding agents may be prohibited from participating in competitive bidding.

(Qualifications of Competitive Bidding Participants)

Article 4

1. When holding competitive bidding, the Corporation must stipulate the required qualifications for competitive bidding participants for each industry, i.e. building construction (including other construction works), measurement and surveying (construction consulting, etc.), and the manufacturing (including processing) and sale of goods (including services), in accordance with the contract amounts and other factors. Said qualifications must include past performance in building construction, measurement and surveying, or the manufacture and sales of goods, number of employees, capital, and other items regarding management scale and management conditions.
2. After stipulating qualifications under the provisions of the previous paragraph, the Corporation must await applications from parties who seek to periodically or continuously participate in competitive bidding under said stipulations, and confirm whether or not said parties have the concerned qualifications.
3. After stipulating qualifications under the provisions of Paragraph 1, the Corporation must prepare a register of parties with the qualifications to participate in the competitive bidding.
4. When stipulating the required qualifications for parties participating in competitive bidding under the provisions of Paragraph 1, the Corporation must publicly announce the basic requirements as well as the timing and method for the applications specified in Paragraph 2.
5. The provisions of Paragraphs 1 through 3 above may be replaced by the contents of qualifications screenings conducted by the government or

equivalent bodies.

(Public Notices of Open Competitive Bidding)

Article 5

When conducting open competitive bidding, the Corporation must give public notice by posting notices or using other means at least 10 days prior to the day before the bidding deadline. In urgent cases, however, this period may be shortened to as little as five days.

(Items for Public Notices of Open Competitive Bidding)

Article 6

1. The items to be included in the public notices specified in the previous article are as follows.
 - (1) Items for the competitive bidding
 - (2) The required qualifications for competitive bidding participants
 - (3) Location displaying the contract terms
 - (4) Bid opening location and date
 - (5) Information on bid deposits and contract deposits
 - (6) Other items as deemed necessary
2. The public notices specified in the previous article must explicitly state that bids submitted by parties lacking the required qualifications for competitive bidding participants specified in Paragraph 1, Item (2) above and bids that violate the bidding conditions will be invalid.

(Notifications of Selective Bidding)

Article 7

1. When holding selective bidding, the Corporation must notify the parties selected to participate in selective bidding in writing of the items specified in Article 6, Paragraph 1, Item (1) and Items (3) through (6).
2. The required period from the notifications specified in the previous paragraph to the bidding deadlines will be separately stipulated.
3. The provisions of Article 6, Paragraph 2 apply mutatis mutandis to the selective bidding notifications specified in Paragraph 1 of this article.

(Bid Deposits)

Article 8

The Corporation shall require competitive bidding participants to submit bid deposits with a value of at least 5 percent of the participant's estimated contract price in the form of cash, government bonds, government guaranteed bonds, checks with bank draft or bank payment guarantees, or other security recognized by the Corporation.

(Bid Deposit Submission Exemptions)

Article 9

Regardless of the provisions of the previous article, the Corporation may exempt competitive bidding participants from submission of bid deposits in whole or in part under the following circumstances.

- (1) When the party seeking to participate in the competitive bidding has concluded a bid guarantee insurance contract with an insurance company naming the Corporation as an insured party.
- (2) When the Corporation deems there is no concern that a party with the qualifications specified in Article 4 will fail to conclude a contract upon winning a bid.

(Bid Explanation Meetings)

Article 10

The Corporation shall hold bid explanation meetings as deemed necessary to present supplementary explanations in cases when there are matters that are difficult to denote in writing, could be misunderstood, or otherwise require explanation in the contract contents, bidding conditions, and other items in the public notices of open competitive bidding or notifications of selective bidding (hereinafter referred to as "Public Notices etc.") or bid documents.

(Preparation of Estimated Prices)

Article 11

1. When conducting competitive bidding, the Corporation must prepare estimated prices in writing (hereinafter referred to as "Estimated Price Statements") beforehand based on the specifications, designs, and other particulars of the contract items.
2. The Estimated Price Statements specified in the previous paragraph must be sealed and placed at the bid opening location when bids are opened.

(Estimated Prices Determination Method)

Article 12

1. Estimated prices must be set as the total price for the items for competitive bidding. However, estimated prices can be set as unit prices in cases of contracts for continuous manufacturing, repair, processing, sales, purchases, supply, use, or other services over a set period of time.
2. Estimated prices must be set at appropriate levels based on the contract contents considering market prices, demand conditions, difficulty of performing the contract, volumes, length of performance periods, and other factors concerning the contract items or services.

(Execution of Bidding)

Article 13

When conducting competitive bidding, the bidding participants or their agents (hereinafter referred to as "Bidding Participants, etc.") must submit bid forms with the following items.

- (1) Name of bid item
- (2) Bid amount
- (3) Name (the company name or trade name and the name of the company representative in the case of corporations), address, and seal of the bid participant
- (4) When bids are submitted by bid agents, the name (the company name or trade name and the name of the company representative in the case of corporations), address, and a statement that the bid is being submitted by an agent together with the name and seal of the agent

(Prohibition of Changes to Bid Forms)

Article 14

1. When executing bids, Bidding Participants etc. may not exchange, change, or withdraw bid forms after they are submitted.
2. The Corporation must notify prospective bidding participants of the terms of the previous paragraph beforehand in Public Notices etc. or in bid documents.

(Revisions to Bid Forms)

Article 15

The Corporation must notify Bidding Participants etc. beforehand on bid documents or by other means that Bidding Participants etc. must stamp their seals on items that they revise when they make revisions to items recorded on their bid forms prior to submission.

(Bidding by Agents)

Article 16

When bidding via agents, Bidding Participants etc. must submit a power of attorney beforehand.

(Opening of Bids)

Article 17

Bids must be opened at the bid opening location and time specified in Public Notices etc. in the presence of the Bidding Participants etc. In cases when Bidding Participants etc. cannot attend, the bids must be opened in the presence of an employee who is not involved with the bidding procedure.

(Restrictions on Bid Opening Location Entry and Exit)

Article 18

1. Individuals other than Bidding Participants etc., employees involved with the bidding procedure (hereinafter referred to as "Bid-Related Employees"), and the employee who is not involved with the bidding procedure as specified by the proceeding Article may not enter the bid opening location.
2. Bidding Participants etc. may not enter the bid opening location after the opening of bids has begun.
3. Parties who have entered the bid opening location may not exit until the opening of bids is completed except when recognized as absolutely necessary.

(Cancellation of Bidding)

Article 19

When Bidding Participants etc. collude or commit other disorderly acts and the bidding cannot be executed in a fair manner, the Corporation may prohibit the concerned Bidding Participants etc. from participating in the bidding or postpone or cancel the bidding.

(Invalid Bid Forms)

Article 20

1. The following types of bid forms must be treated as invalid.
 - (1) Bid forms submitted by parties that lack the qualifications required to participate in competitive bidding specified on public notices and bid documents
 - (2) Bid forms without the bid item name or bid amount
 - (3) Bid forms without the name (the company name or trade name and the name of the company representative in the case of corporations) or seal of the bid participant, or with names or seals that are unclear
 - (4) When bids are submitted by agents, bid forms without the name of the bid participant (the company name or trade name and the name of the company representative in the case of corporations) or without a statement that the bid is being submitted by an agent together with the name and seal of the agent, or with names or seals that are unclear (excluding cases where the missing or unclear item is the name of the bid participant [the company name or trade name and the name of the company representative in the case of corporations] or the statement that the bid is being submitted by an agent when the fact that the bid is being submitted by a legitimate agent has been confirmed by a power of attorney or other means)
 - (5) Bid forms with major errors in the bid item name
 - (6) Bid forms with unclear bid amounts
 - (7) Bid forms with revised bid amounts without stamped seals on said revisions
 - (8) Bid forms submitted by parties that did not carry out items required of Bidding Participants etc. stipulated on Public Notices etc. and bid documents
 - (9) Bid forms that otherwise violate the bidding conditions
2. The Corporation must notify Bidding Participants etc. on Public Notices etc. or bid documents beforehand regarding invalid bid forms as specified in the previous paragraph.

(Rebidding)

Article 21

1. In cases when the bids are opened and none of the Bidding Participants etc. have submitted bids within the estimated price, the Corporation may immediately rebid the item.
2. The estimated price and other conditions cannot be changed when the Corporation rebids an item under the provisions of the previous paragraph.

(Determination of Successful Bidders)

Article 22

1. In cases when two or more Bidding Participants etc. bid the same successful price, the Corporation must have them immediately draw lots and determine the successful bidder.
2. If any of the Bidding Participants etc. specified by the previous paragraph will not draw lots, the Corporation can have their lots drawn by an employee who is not involved with the bidding procedure.

(Contracts That May not Be Awarded to the Lowest Bidders)

Article 23

With regard to contracts defined as contracts for construction works with an estimated price of at least ¥20 million and contracts for services other than construction works with an estimated price of at least ¥10 million to which either of the following conditions apply, the Corporation may not award a contract to the lowest bidder.

- (1) When, depending on the bid amount, there are concerns that the lowest bidder will not properly perform the contents of the concerned contract
- (2) When it is deemed that concluding a contract with the lowest bidder might disturb the order of fair trade and would be entirely inappropriate

(Investigations of Lowest Bidders)

Article 24

1. In cases when there is competitive bidding for contracts specified in the previous article and the lowest bidder's bid amount corresponds to the applicable criteria for Investigations of the Lowest Bidder separately stipulated, the determination of the successful bidder must be postponed and investigations must be conducted under procedures as separately stipulated to confirm if there are concerns that the lowest bidder may not

- properly perform the contract contents.
2. In cases when the investigations specified in the previous paragraph conclude there are concerns that the lowest bidder may not properly perform the contract contents, a request for examination must be submitted to the separately stipulated Procurement Committee together with the investigation findings and the opinions of the investigators.
 3. When the examination by the Procurement Committee concludes there are concerns that the lowest bidder may not properly perform the contract contents, the contract will be awarded to the second lowest bidder.

(Notifications of Determination of Successful Bidders)

Article 25

When a successful bidder is determined, the Corporation must immediately send notifications as follows.

- (1) In cases when the contract is awarded to the lowest bidder
 - a. Lowest bidder: Notification of the required items
 - b. Other bidders: Notification that the successful bidder has been determined
- (2) In cases when the contract is awarded to the second lowest bidder
 - a. Second lowest bidder (the successful bidder): Notification of the required items
 - b. Lowest bidder (not selected as the successful bidder): Notification of reasons why this bidder was not selected as the successful bidder and other required items
 - c. Other bidders: Notification that the successful bidder has been determined

(Overall Greatest Value Method of Bidding, etc)

Article 26

Contracts that can be awarded under the Overall Greatest Value Method of Bidding, Competitive Bidding or Qualified Bidder Identification are those contracts that the Procurement Committee determines cannot be fully addressed using the lowest price contract award method.

(Handling of Bid Deposits after Determination of Successful Bidders)

Article 27

1. Bid deposits must be returned to bidders after the determination of successful bidders. However, the bid deposits of successful bidders are returned after the conclusion of their contracts.
2. Regardless of the provisions of the previous paragraph, the bid deposits of successful bidders may, at their request, be applied to their contract deposits.
3. When successful bidders do not conclude contracts their bid deposits become the property of the Corporation. Notice to that effect must be given beforehand in the Public Notices etc. or bid documents.

(Cases when Selective Bidding Can be Used)

Article 28

Construction works, manufacturing, and other service contracts (hereinafter, "Service Contracts") can be awarded in the following cases via selective bidding.

- (1) When the contracts are for construction works or manufacturing with an estimated price of no more than ¥5.0 million
- (2) When purchasing assets with an estimated price of no more than ¥3.0 million
- (3) When leasing items with an estimated annual or total lease fee of no more than ¥1,600,000
- (4) For contracts other than construction works, manufacturing, asset purchases, or the leasing of items, with an estimated price of no more than ¥2.0 million

(Standards for Selection of Bidders)

Article 29

The standards for selecting parties as bidders for Service Contracts from among the qualified bidders specified in Article 4 are as follows.

- (1) At the time of selection the parties must not have conspicuously worsening management conditions or degrading assets or credit ratings, and there must not be any concerns that the parties will not properly perform the contract.
- (2) In cases when the performance of the contract for selective bidding requires public licensing or authorization by law because of its nature or purposes, the parties must have the requisite licenses or authorization.

- (3) In cases of selective bidding for specialized construction works or other services that require the works or supply to be executed by parties with proven performance, the parties must have the concerned performance experience.
- (4) In cases of selective bidding for construction works or other services that, because of their performance deadline or location, are deemed advantageous to be executed by parties that can easily procure materials, labor, and other inputs or by parties within a specific geographic region, the parties must be capable of said procurement and execution or be located within said geographic region.
- (5) In cases of works contracts that, because of their nature, must be executed by parties with special technologies, equipment, tools, production facilities, or other items, the parties must have said technologies, equipment, tools, production facilities, etc.

(Designation of Selective Bidding Participants)

Article 30

When conducting selective bidding, the Corporation must select at least five parties, whenever possible, to participate in the selective bidding using the standards specified in the previous article from among the qualified bidders specified in Article 4.

(Cases when Negotiated Contracts Can Be Used)

Article 31

1. Negotiated contracts can be used in the following cases.
 - (1) When the nature or purpose of the contract does not permit competitive bidding
 - (2) When competitive bidding cannot be used because of urgent necessity
 - (3) When competitive bidding is deemed to be disadvantageous
 - (4) When the contracts are for construction works or manufacturing with an estimated price of no more than ¥5.0 million
 - (5) When purchasing assets with an estimated price of no more than ¥5.0 million
 - (6) When leasing items with an estimated annual or total lease fee of no more than ¥5.0
 - (7) For contracts other than construction works, manufacturing, asset

purchases, or the leasing of items, with an estimated price of no more than ¥5.0 million

- (8) When purchasing assets or leasing items directly from the central government, local prefectural governments and municipal governments, or other public organizations
 - (9) When concluding contracts overseas
 - (10) When there is no bidder under competitive bidding or no successful bidder under rebidding
 - (11) When a successful bidder does not conclude a contract
 - (12) When leasing or renting out assets
2. For negotiated contracts specified in Paragraph 1, Item (10) above, except for contract deposits and the performance deadline, the estimated price and other terms cannot be changed from those specified under the original competitive bidding.
 3. For negotiated contracts stipulated in Paragraph 1, Item (11) above, the contract price must be within the successful bid amount, and with the exception of the performance deadline terms cannot be changed from those specified under the original competitive bidding.

(Examinations of Negotiated Contracts)

Article 32

Negotiated contracts under the provisions of Article 31, Paragraph 1, Item (3) above must be investigated by the Procurement Committee. However, this does not apply when competitive bidding is deemed to be disadvantageous for any of the following reasons.

- (1) When the negotiated contracts are directly associated with construction works, manufacturing, or goods purchase contracts that are presently being performed and it is deemed disadvantageous to have them carried out by parties other than the contractors presently performing said contracts.
- (2) When the prices under the negotiated contracts are expected to be distinctly advantageous compared with market prices.
- (3) When the opportunity to conclude a contract will be lost or when there are concerns that the Corporation will have to conclude a contract at a distinctly disadvantageous price unless a contract is rapidly concluded.

(Omission of Estimated Price Statements)

Article 33

The provisions of Article 11 apply mutatis mutandis to negotiated contracts. However, the preparation of Estimated Price Statements may be omitted under the following circumstances.

- (1) Negotiated contracts for items for which it is deemed impossible or extremely difficult to conclude contracts without relying on a designated transaction price because the transaction price is determined by law or for other special reasons.
- (2) For negotiated contracts with an estimated price under ¥1.0 million when omitting the estimated price calculation on Estimated Price Statements or other written documents does not pose any problems.

(Split Contracts)

Article 34

When arranging negotiated contracts under the provisions of Article 31, Paragraph 1, item (10) or Article 31, Paragraph 1, Item (11) and the estimated price or successful bid amount can be divided and calculated, contracts can be split and concluded with multiple parties provided that they remain within the concerned estimated price or successful bid amount restrictions.

(Collection of Price Quotes)

Article 35

The corporation must collect quotes from at least two parties whenever possible when estimated prices exceed ¥1.0 million.

(Contract Contents)

Article 36

In addition to stipulating items regarding contract purpose, contract price, performance period, and contract deposits, the written contracts must stipulate the following items. However, this provision does not apply to items where it is not applicable because of the nature or purpose of the contract.

- (1) Contract performance location
- (2) Time and method for payment or receipt of the contract price
- (3) Supervision and inspections
- (4) Default interest, damages for breach of contract, and other penalties for

delayed performance or other failure to perform obligations

- (5) Bearing of risks
- (6) Warrantees for latent defects
- (7) Contract dispute settlement methods
- (8) Other necessary items

(Timing for Exchange of Written Contracts)

Article 37

Written contracts must be exchanged promptly after the notification that the successful bidder has been determined.

(Omission of Written Contracts)

Article 38

1. The preparation of written contracts may be omitted under the following conditions.
 - (1) When contracts for less than ¥2.0 million are concluded with qualified bidders as specified in Article 4
 - (2) When items are being sold off and the purchaser pays cash on the spot upon receipt of the concerned items
 - (3) Other cases when the preparation of written contracts is deemed unnecessary
2. The Corporation shall collect confirmation notes for items under the provisions of the previous paragraph. For contract amounts under ¥1.5 million, however, the Corporation may omit the collection of confirmation notes and collect other documents that verify the contract instead.

(Contract Deposits)

Article 39

The Corporation shall require contractors to submit contract deposits with a value of at least 10 percent of the contract price in the form of cash, government bonds, government guaranteed bonds, checks with bank draft or bank payment guarantees, or other security recognized by the Corporation. However, the Corporation may exempt contractors from the submission of contract deposits in whole or in part when the contractor has concluded a performance guarantee contract with an insurance company naming the Corporation as an insured party, and when otherwise deemed unnecessary.

(Handling of Contract Deposits)

Article 40

1. When contractors do not perform their contract obligations, their contract deposits become the property of the Corporation. This provision must be included in written contracts, etc.
2. Contract deposits will be returned to contractors after they complete the performance of their contracts.

(Supervision Methods)

Article 41

The method of supervision will be to have the individuals ordered to conduct supervision (hereinafter referred to as "Supervision Employees") present at the contractor's worksite and to supervise the contractor's performance using instructions and other appropriate methods.

(Supervision Employees Reports)

Article 42

Supervision Employees shall maintain close liaison with the people responsible for contract management (hereinafter referred to as "Contract Managers") and report on the implementation of supervision as needed or when so requested by Contract Managers.

(Inspection Methods)

Article 43

The method of inspection will be to have the individuals ordered to conduct inspections (hereinafter referred to as "Inspection Employees") personally conduct inspections based on contracts, specifications, designs, and other related documents.

(Inspection Timing)

Article 44

Inspections must be conducted promptly after receiving contract completion notices from contractors.

(Preparation of Inspection Records)

Article 45

1. Inspection Employees must prepare inspection records upon completion of inspections.
2. When inspection records are required as specified in the previous paragraph, payments can only be made based on said inspection records.
3. When Inspection Employees conduct inspections and conclude that the contract items delivered do not match the concerned contract contents, they must specify this together with their opinions on actions to be taken in their inspection records.

(Omission of Inspection Records)

Article 46

1. As substitutes to the inspection records specified in Article 45, Paragraph 1, Inspection Employees can write the required items on the completion notices specified in Article 44 and affix their seals to these notices.
2. Inspection Records may be omitted in cases when the inspections are to confirm the completion of Service Contracts, item purchase contracts, and other contracts (excluding contracts that require partial payment before completion) with a contract price of less than ¥2.0 million. However, this does not apply in cases specified by Article 45, Paragraph 3.

(Partial Omission of Supervision or Inspection)

Article 47

1. Supervision may be partially omitted in cases of contracts with riders stipulating that the contractor will replace, repair, or take other necessary measures when the contract items provided suffer breakdowns, deterioration, reduced performance, or other incidents over a reasonable period of time after contract completion, and the contract items provided are thus deemed to be guaranteed.
2. Inspections other than quantity inspections may be partially omitted for contracts specified in the previous paragraph with unit purchase prices of less than ¥100,000.

(Consignment of Supervision and Inspection)

Article 48

1. Supervision and inspection can be consigned to and conducted by parties

other than Corporation employees when necessary.

2. When supervision or inspection is consigned under the provisions of the previous paragraph, the concerned supervision or inspection results must be confirmed, and the confirmation results compiled into a written document. However, this may be omitted in cases where it is particularly necessary to do so.

(Prohibition on Holding Concurrent Posts)

Article 49

Inspection Employees and contractors conducting inspections under the provisions of the previous article cannot hold concurrent posts as Supervision Employees or as contractors conducting supervision under the provisions of the previous article, except when this is particularly necessary.

(Collection of Contract Payments)

Article 50

1. When the Corporation is to collect payments for the sale, lease, or use of assets, the concerned contracts must explicitly state that said payments will be rendered prior to the transfer of assets, or the registration or recording of the asset transfer, or the start of use. In cases when this is not possible, however, the concerned contracts can stipulate installment payments over a reasonable period of time.
2. Contracts may stipulate deferred payments in cases when implementing the provisions of the previous paragraph would be difficult because of the nature of the contract.

(Disbursement of Contract Payments)

Article 51

1. When the disbursement of contract payments in accordance with the separately stipulated regular payment period is deemed inappropriate in light of the nature of the contract, the Corporation may separately stipulate a different payment period.
2. The Corporation may render partial contract payments before completion of delivery when necessary, in accordance with contract stipulations, for portions of Service Contracts that have already been completed and for items that have already been delivered under item purchase contracts.

(Disclosure of Contract Information)

Article 52

The specific contents of the disclosure of contract information will be in accordance with the Order for Enforcement of the Act for Promoting Proper Tendering and Contracting for Public Works (Cabinet Order No. 34 of Feb. 15, 2001).

Supplementary Provisions

These Stipulations shall come into effect from November 22, 2011.