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Chapter 5 Contract

Article 30 (Open Tender Contract)

- 1 Except in cases provided for in the following Article and Article 32, before entering into a sale, lease, contract for work or other contract, the Accounting Officer shall put the contract out to Open Tender by issuing a public notice and having persons make offers in respect thereof.
- 2 The necessary qualifications for a person to participate in any tender referred to in the preceding paragraph, the method of the public notice referred to in the same paragraph, and other necessary particulars are separately specified.

Article 31 (Selective Tender Contract)

- 1 Notwithstanding the provisions of Paragraph 1 of the Preceding Article, the Accounting Officer may put a contract out to selective tender if it falls under any of the following Items:
 - (1) when a contract need not be put out to put out to tender as referred to in paragraph 1 of the preceding Article, due to the small number of persons who would participate in the tender as result of the nature or purpose of the contract; or
 - (2) when it is deemed disadvantageous to put a contract out to tender as referred to in paragraph 1 of the preceding Article
- 2 In addition to the cases provided for in the preceding paragraph, if the target price of a contract is small, the Accounting Officer may put such contract out to selective tender pursuant to the provisions separately specified.
- 3 The necessary qualifications for a person to participate in any tender referred to in any of the preceding paragraphs are separately specified.

Article 32 (Discretionary Contract)

- 1 The Accounting Officer may have a contract take the form of a discretionary contract in the following cases:
 - (1) when the nature or purpose of a contract does not permit tender;
 - (2) when a contract cannot be put out to tender due to urgent circumstances;
 - (3) when it is determined it would be disadvantageous to put a contract out to tender; or
 - (4) when the target price of a contract is small;
- 2 In addition to the cases provided for in the preceding paragraph, the Accounting Officer may use a discretionary contract if it is deemed that a special necessity exists as separately prescribed.

Article 33 (Contract Which Continues for Multiple Fiscal Years)

If the Accounting Officer deems it necessary, she/he may enter into a contract which continues for multiple fiscal years.

Article 34 (Target Price)

In the case where the Accounting Officer seeks to enter into a contract, he/she shall determine a target price related

to such contract; provided, however, when the Accounting Officer seeks to have a contract take the form of a discretionary contract, the determination of a target price may be omitted for a contract with respect to which it is deemed that such determination is not necessary as separately prescribed.

Article 35 (Counterparty to Contract)

- 1 If a Tender is conducted, the Accounting Officer shall select the person who submitted the offer with the highest or lowest price, depending on the purpose of the contract, within the range determined by the target price, as the counterparty to the contract; provided, however, that for a contract separately specified that is a cause of payment by GPIF, if it is found likely that the person who should be the counterparty to the contract will not satisfactorily perform the terms of the contract for the price that the person has offered, or if it is found to be extremely inappropriate to conclude the contract with the person who should be the counterparty for the price that the person has offered because of the likelihood that doing so will disrupt the establishment of a fair transaction, she/he may, pursuant to the provisions separately prescribed, select the person who offered the lowest price among the other persons who made offers within the range determined by the target price, as the counterparty to the contract.
- 2 Notwithstanding the provisions of the preceding paragraph, for a contract that involves the exchange of assets owned by GPIF and assets owned by a person other than GPIF and any other contracts that is difficult to treat pursuant to the provisions of the preceding paragraph due to its nature or purpose, the person who offered the price and other conditions that are the most advantageous to GPIF (or the next most advantageous price and other conditions in a case under the proviso of the preceding paragraph) may be made the counterparty to the contract, pursuant to the provisions separately prescribed.

Article 36 (Preparation of Contract)

When the Accounting Officer seeks to enter into a contract, she/he shall prepare a written contract that includes the particulars necessary for the performance of the terms of such contract; provided, however, that preparation of contract may be omitted or replaced with a document in lieu thereof with respect to an immaterial contract as separately prescribed.

Article 37 (Deposit)

- 1 The Accounting Officer shall collect 5% or more of the quoted contract price as a security deposit (hereinafter, the "Bid Deposit") from the person seeking to participate in the tender, and collect a contract guarantee of 10% or more of the contract price (hereinafter, the "Contract Deposit") from a person who enters into a contract with GPIF; provided, however, that if this is found to be unnecessary, the Accounting Officer need not collect a Bid Deposit or Contract Deposit, either in whole or in part.
- 2 Government bonds, other securities determined by the Accounting Officer to be bona-fide securities, or other bonds may be provided in lieu of a Bid Deposit or a Contract Deposit.

Article 38 (Attribution of Deposit)

- 1 The Accounting Officer shall clearly specify in the public notice of the tender that if the successful bidder does not execute the contract, the Bid Deposit that such successful bidder provided pursuant to the preceding Article (including a bond provided in lieu of such Bid Deposit) vests in GPIF.
- 2 The Accounting Officer shall procure an agreement to the effect that if a person who has paid a Contract Deposit pursuant to the preceding Article (including a bond provided in lieu of such Contract Deposit) fails to perform her/his contractual obligations, the Contract Deposit vests in GPIF.

Article 39 (Supervision and Inspection)

- 1 When the Accounting Officer executes a contract for work involving construction, manufacturing or other type of work, the Accounting Officer shall, either personally or by assigning other employees, undertake necessary supervision in order to ensure appropriate performance of the contract; provided, however, that this shall not apply to a contract with respect to which supervision is not necessary due to the nature or content of the contract.
- 2 When the Accounting Officer executes a contract for work as set forth in the preceding paragraph, a

purchase of assets or other contract, the Accounting Officer shall, either personally or by assigning other employees, undertake necessary inspection in order to verify the completion of performance (including verifying the completion of portions of construction or manufacturing or delivery of portions of objects if it is necessary to pay a portion of the price prior to completion of the performance).

3 When it is determined to be difficult or inappropriate for supervision or inspection to be performed by an employee of the GPIF due to particular professional knowledge or skills being required or for other reasons, the Accounting Officer may delegate a person other than the employees of the GPIF to perform the supervision or inspection.

Article 40 (Procedures for Procurement of Goods, Etc. or Specified Service with Respect to Agreement Concerning Government Procurement and Other International Agreement)

The procedure for procurement of goods, etc. or specified service covered by Agreement on Government Procurement prepared in Marrakech on April 15, 1994 (hereinafter, the "Agreement"), Revised Agreement on Government Procurement prepared in Geneva on March 30, 2012 and other international agreements shall be carried out as otherwise prescribed.