

Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements

(Ministry of Finance Order No. 28 of October 30, 1976)

Pursuant to the provisions of Article 193 of the Securities and Exchange Act (Act No. 25 of 1948), the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements is enacted as follows.

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Chapter I General Provisions

(General Principles for Application)

Article 1 (1) From among finance and accounting documents to be submitted pursuant to the provisions of Article 5, Article 7, paragraph (1), Article 9, paragraph (1), Article 10, paragraph (1), or Article 24, paragraph (1) or (3) of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "Act") (including the cases where any of these provisions are applied mutatis mutandis pursuant to Article 24-2, paragraph (1) of the Act and cases where these provisions are applied mutatis mutandis, pursuant to Article 27 of the Act, to a corporation which has been designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 1, paragraph (1) of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements") (that corporation is hereinafter referred to as a "designated corporation")), the terminology, forms, and preparation methods of consolidated financial statements (meaning consolidated balance sheets, consolidated profit and loss statements, consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated cash flow statements, and consolidated supplementary schedules or, if they are prepared pursuant to Designated International Accounting Standards (meaning Designated International Accounting Standards prescribed in Article 93; hereinafter the same applies in this paragraph and item (ii) of the following Article) pursuant to the provisions of Article 93 or if they are prepared pursuant to Japan's Modified International Standards (meaning Japan's Modified International Standards prescribed in Article 94; hereinafter the same applies in this paragraph and Article 1-3, item (ii)) pursuant to the provisions of Article 94, the equivalents to consolidated balance sheets,

consolidated profit and loss statements, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated cash flow statements which are required to be prepared pursuant to the relevant Designated International Accounting Standards or the relevant Japan's Modified International Standards; the same applies hereinafter) are governed by the provisions of this Regulation, except for those subject to the application of the provisions of Article 1-3 of the Regulation on Financial Statements, and any matters that are not provided for under this Regulation are in accordance with business accounting standards generally accepted as fair and appropriate.

- (2) Business accounting standards published by the Business Accounting Council prescribed in Article 24, paragraph (1) of the Cabinet Order for Organization of the Financial Services Agency (Cabinet Order No. 392 of 1998) are to fall under the business accounting standards generally accepted as fair and appropriate prescribed in the preceding paragraph.
- (3) From among the business accounting standards prepared and published by organizations that research, study, and prepare business accounting standards on a regular basis, and that satisfy all of the following requirements (referred to as "specified organizations" in Article 94), those which are specified by the Commissioner of the Financial Services Agency as such that are found to have been prepared and published under fair and proper procedures and are expected to be generally accepted as fair and appropriate business accounting standards are to fall under the business accounting standards generally accepted as fair and appropriate prescribed in paragraph (1):
 - (i) that it is a private organization independent from any person with interest;
 - (ii) that it is funded continuously by a large number of persons and not disproportionately by any specific person;
 - (iii) that it has set up a body with council system composed of persons competent to develop business accounting standards from a highly professional viewpoint (referred to as a "Standards Committee" in the following item and item (v));
 - (iv) that its Standards Committee engages in its duties in a fair and sincere manner; and
 - (v) that its Standards Committee continuously conducts reviews from a perspective of proper responses to changes in the business environment surrounding companies, etc. (meaning a company, designated corporation, partnership or any other business entity equivalent thereto (including a business entity equivalent thereto in a foreign state); the same applies hereinafter) and practice of companies, etc. and the international convergence (meaning ensuring the standardization of business accounting standards on an international scale).

(Special Provisions for Application)

Article 1-2 The terminology, forms, and preparation methods of consolidated financial statements that an issuer (meaning the issuer prescribed in Article 2, paragraph (5) of the Act; the same applies in the following Article) of the securities set forth in paragraph (1), item (v) or (ix) of that Article, which is a stock company satisfying all of the following requirements (hereinafter referred to as a "specified company complying with designated international accounting standards") submits may be in accordance with the provisions of Chapter VII, Section 1:

- (i) that in the securities registration statement that it submits under the provisions of Article 5, paragraph (1) of the Act or in annual securities reports that it submits under the provisions of Article 24, paragraph (1) or (3) of the Act, it gives a statement of special efforts for ensuring the appropriateness of consolidated financial statements; and
- (ii) that it has officers or employees who have sufficient knowledge of Designated International Accounting Standards and has established a system under which consolidated financial statements can be prepared in an appropriate manner under Designated International Accounting Standards.

Article 1-3 The terminology, forms, and preparation methods of consolidated financial statements that an Issuer of the securities set forth in Article 2, paragraph (1), item (v) or (ix) of the Act, which is a stock company satisfying all of the following requirements (hereinafter referred to as a "specified company complying with Japan's modified international standards") submits may be in accordance with the provisions of Chapter VII, Section 2:

- (i) that in the securities registration statement that it submits under the provisions of Article 5, paragraph (1) of the Act or in annual securities reports that it submits under the provisions of Article 24, paragraph (1) or (3) of the Act, it gives a statement of special efforts for ensuring the appropriateness of consolidated financial statements; and
- (ii) that it has officers or employees who have sufficient knowledge of Japan's Modified International Standards and have established a system under which consolidated financial statements can be prepared in a proper manner under Japan's Modified International Standards.

(Definitions)

Article 2 In this Regulation, the meanings of the terms set forth in the following items are as prescribed respectively in those items:

- (i) company submitting consolidated financial statements: a company or Designated Corporation which is to submit consolidated financial statements

- pursuant to the provisions of the Act;
- (ii) parent company: an entity that is regarded as the parent company of a company submitting consolidated financial statements pursuant to the provisions of Article 8, paragraph (3) of the Regulation on Financial Statements;
 - (iii) subsidiary company: an entity that is regarded as a subsidiary company of a company submitting consolidated financial statements pursuant to the provisions of Article 8, paragraphs (3), (4), and (7) of the Regulation on Financial Statements;
 - (iv) consolidated subsidiary company: a subsidiary company included in the scope of consolidation;
 - (v) consolidated companies: a company submitting consolidated financial statements and its consolidated subsidiary companies;
 - (vi) non-consolidated subsidiary company: a subsidiary company excluded from the scope of consolidation;
 - (vii) affiliated company: an entity that is regarded as an affiliated company of a company submitting consolidated financial statements pursuant to the provisions of Article 8, paragraphs (5) and (6) of the Regulation on Financial Statements;
 - (viii) equity method: a method whereby an investor company corrects its investment amount each business year according to the changes in the portions of the investee company's net assets, profit and loss which belong to the investor company;
 - (ix) deleted;
 - (x) securities registration statement: the securities registration statement defined in Article 2, paragraph (7) of the Act which is under Article 5, paragraph (1) of the Act (including the cases where applied mutatis mutandis pursuant to Article 27 of the Act);
 - (xi) annual securities report: the annual securities report defined in Article 24, paragraph (1) of the Act;
 - (xii) non-controlling interests: the portion of a consolidated subsidiary company's capital which is not equity of the company submitting consolidated financial statements;
 - (xiii) cash flow: any increase or decrease in the funds defined in the following item;
 - (xiv) funds: the combined total of cash (including any current deposits, ordinary deposits, and other deposits which the depositor is able to withdraw without waiting for a certain period to elapse; the same applies in Chapter V) and cash equivalents (meaning short-term investments which can be easily converted into cash and which involve low risk of fluctuations in value; the same applies in Chapter V);

- (xv) derivative transactions: the transactions defined in Article 8, paragraph (14) of the Regulation on Financial Statements;
- (xvi) trading securities: the securities defined in Article 8, paragraph (20) of the Regulation on Financial Statements;
- (xvii) bonds held to maturity: the bonds defined in Article 8, paragraph (21) of the Regulation on Financial Statements;
- (xviii) other securities: the securities defined in Article 8, paragraph (22) of the Regulation on Financial Statements;
- (xix) treasury shares: a combined total of the shares of a company submitting consolidated financial statements held by the company submitting consolidated financial statements itself, and shares of the company submitting consolidated financial statements held by any consolidated subsidiary company, non-consolidated subsidiary company to which the equity method is applied, and affiliated company that represent equity of the company submitting consolidated financial statements;
- (xx) company's own shares: shares of consolidated companies;
- (xxi) options on the company's own shares: call options (meaning rights for acquiring the company's own shares which are the underlying assets, by paying a certain amount of money) for which underlying assets are the company's own shares;
- (xxii) stock options: options on the company's own shares (meaning the options on the company's own shares defined in the preceding item) which consolidated companies grant to their workers, etc. (meaning employees hired by the consolidated companies and officers (meaning the officers defined in Article 21, paragraph (1), item (i) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 27 of the Act); the same applies hereinafter) of the consolidated companies; hereinafter the same applies in this item) as remuneration (meaning what the consolidated companies pay or deliver to their workers, etc. in consideration for labor, execution of business or the like);
- (xxiii) business combination: the business combination defined in Article 8, paragraph (27) of the Regulation on Financial Statements;
- (xxiv) acquiring enterprise: the enterprise defined in Article 8, paragraph (28) of the Regulation on Financial Statements;
- (xxv) acquired enterprise: the enterprise defined in Article 8, paragraph (29) of the Regulation on Financial Statements;
- (xxvi) combiner: the enterprise defined in Article 8, paragraph (31) of the Regulation on Financial Statements;
- (xxvii) combinee: the enterprise defined in Article 8, paragraph (32) of the Regulation on Financial Statements;
- (xxviii) combined enterprise: the enterprise defined in Article 8, paragraph (33)

- of the Regulation on Financial Statements;
- (xxix) constituent enterprises: the enterprises defined in Article 8, paragraph (34) of the Regulation on Financial Statements;
- (xxx) common control transaction, etc.: the common control transaction, etc. defined in Article 8, paragraph (37) of the Regulation on Financial Statements;
- (xxxix) business divestiture: the business divestiture defined in Article 8, paragraph (38) of the Regulation on Financial Statements;
- (xxxii) divesting enterprise: the enterprise defined in Article 8, paragraph (39) of the Regulation on Financial Statements;
- (xxxiii) successor enterprise: the enterprise defined in Article 8, paragraph (40) of the Regulation on Financial Statements;
- (xxxiv) financial instruments: the financial instruments defined in Article 8, paragraph (41) of the Regulation on Financial Statements;
- (xxxv) asset retirement obligations: the asset retirement obligations defined in Article 8 (42) of the Regulation on Financial Statements;
- (xxxvi) accounting policies: the accounting principles and procedures adopted for the preparation of consolidated financial statements;
- (xxxvii) presentation method: the presentation method adopted for the preparation of consolidated financial statements;
- (xxxviii) accounting estimates: amounts of assets, liabilities, revenues, expenses, etc. that are reasonably calculated based on the information available at the time of the preparation of consolidated financial statements when those amounts are uncertain;
- (xxxix) change in accounting policies: a change of an Accounting policy generally accepted as fair and appropriate to another Accounting policy generally accepted as fair and appropriate;
- (xl) change in presentation method: a change of a presentation method generally accepted as fair and appropriate to another presentation method generally accepted as fair and appropriate;
- (xli) change in accounting estimates: a change in an accounting estimate that had been made for the preparation of consolidated financial statements for the consolidated fiscal year immediately preceding the current consolidated fiscal year (meaning the period prescribed in Article 3, paragraph (2)) (the immediately preceding consolidated fiscal year is hereinafter referred to as the "previous consolidated fiscal year") or any prior fiscal year, based on new information that has become available;
- (xlii) error: an error arising from the failure to use, or the misuse of, information that was available at the time of the preparation of consolidated financial statements, regardless of whether or not the act to be the cause thereof was intentional;

- (xliii) retrospective application: the implementation of accounting processes by assuming that new accounting policies are retroactively applied to consolidated financial statements for the previous consolidated fiscal year or any prior fiscal year;
- (xliv) reclassification of consolidated financial statements: changing the presentation by assuming that a new presentation method is retroactively applied to the consolidated financial statements for the previous consolidated fiscal year or any prior fiscal year;
- (xlv) restatement: the reflection, in consolidated financial statements, of the correction of an error in consolidated financial statements for the previous consolidated fiscal year or any prior business year;
- (xlvi) retirement benefits: the retirement benefits defined in Article 8, paragraph (54) of the Regulation on Financial Statements;
- (xlvii) retirement benefit obligations: the obligations defined in Article 8, paragraph (55) of the Regulation on Financial Statements;
- (xlviii) service cost: the cost defined in Article 8, paragraph (56) of the Regulation on Financial Statements;
- (xlix) interest cost: the cost defined in Article 8, paragraph (57) of the Regulation on Financial Statements;
- (l) pension assets: the assets defined in Article 8, paragraph (58) of the Regulation on Financial Statements;
- (li) expected return: the return defined in Article 8, paragraph (59) of the Regulation on Financial Statements;
- (lii) actuarial gain/loss: the gain/loss defined in Article 8, paragraph (60) of the Regulation on Financial Statements;
- (liii) past service cost: the past service cost defined in Article 8, paragraph (61) of the Regulation on Financial Statements;
- (liv) unrecognized actuarial gain/loss: the unrecognized actuarial gain/loss defined in Article 8, paragraph (62) of the Regulation on Financial Statements; and
- (lv) unrecognized past service cost: the unrecognized past service cost defined in Article 8, paragraph (63) of the Regulation on Financial Statements.

(Consolidated Closing Date and Consolidated Fiscal Year)

- Article 3 (1) A company submitting consolidated financial statements is to specify the last day of its business year as its consolidated closing date, and prepare consolidated financial statements based on the relevant date.
- (2) In the case set forth in the preceding paragraph, the period for which consolidated financial statements are prepared (hereinafter referred to as the "consolidated fiscal year") is the period from the day following the consolidated closing date preceding the relevant consolidated closing date to the relevant

consolidated closing date.

- (3) If the consolidated closing date has been changed, a statement to that effect, the reason for the change, and the period of the consolidated fiscal year as changed must be set down in the notes in the consolidated financial statements.

(General Principles for Preparation of Consolidated Financial Statements)

Article 4 (1) The terminology, forms, and preparation methods of consolidated financial statements to be submitted pursuant to the provisions of the Act must comply with the following standards:

- (i) the consolidated financial statements present true information concerning the financial position, operating results and conditions of cash flow of the business group (meaning a company submitting consolidated financial statements and its subsidiary companies; the same applies hereinafter);
 - (ii) the consolidated financial statements are prepared based on financial statements of consolidated companies that have been prepared in compliance with business accounting standards generally accepted as fair and appropriate;
 - (iii) the consolidated financial statements clearly present the accounting information necessary for preventing persons interested in the company submitting consolidated financial statements from making an erroneous determination on the financial position, operating results and cash flow conditions of the business group; and
 - (iv) the accounting principles and procedures adopted by the company submitting consolidated financial statements for preparing the consolidated financial statements are applied continuously throughout each consolidated fiscal year, except in cases of making a change based on justifiable grounds.
- (2) For those matters to be entered in consolidated financial statements that have the same contents, the same presentation method must be adopted throughout each consolidated fiscal year for preparing consolidated financial statements; provided, however, that it does not apply if making a change based on justifiable grounds.

(Scope of Consolidation)

Article 5 (1) A company submitting consolidated financial statements must include all of its subsidiary companies in the scope of consolidation; provided, however, that it does not include a subsidiary company that falls under either of the following categories in the scope of consolidation:

- (i) a subsidiary company where the company submitting consolidated financial statements is found to only have temporary control over the subsidiary company's body which makes decisions on financial and operational or business policies (meaning a shareholders meeting or any other bodies

- equivalent thereto); and
- (ii) a subsidiary company where inclusion of the subsidiary company in the scope of consolidation is found likely to lead persons interested in the company submitting consolidated financial statements to making a substantially erroneous determination.
- (2) Where any subsidiary company which should be included in the scope of consolidation pursuant to the provisions of the preceding paragraph is immaterial in terms of its assets, net sales (including revenues from service operations; the same applies hereinafter), profit or loss, retained earnings and cash flows and any other items, to the extent that its exclusion from the scope of consolidation would not hinder reasonable determination on the financial position, operating results and cash flow conditions of the business group, that subsidiary company may be excluded from the scope of consolidation.
- (3) If there is any material matter concerning the financial position, operating results or cash flow conditions of a company, etc. set forth as follows, which is found to exert influence on determination on the financial position, operating results and cash flow conditions of the business group, the details thereof must be set down in the notes in the consolidated financial statements:
- (i) a subsidiary company that is excluded from the scope of consolidation pursuant to the provisions of the proviso to paragraph (1); or
 - (ii) among companies, etc. whose majority of voting rights are held by the company submitting consolidated financial statements on its own account, a company, etc. that has received an order of commencement of rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999), a stock company that has received an order of commencement of corporate reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002), a company, etc. that has received an order of commencement of bankruptcy proceedings under the Bankruptcy Act (Act No. 75 of 2004), or any other company, etc. equivalent thereto, which at the same time does not fall under a subsidiary company due to being found to have no effective parent-subsidary relationship with the company submitting consolidated Financial Statements.

(Consolidated Balance Sheet)

Article 6 A consolidated balance sheet must be prepared based on the amounts of assets, liabilities, and net assets reported on the balance sheets of consolidated companies for the period corresponding to the consolidated fiscal year of the company submitting consolidated financial statements (with regard to any relevant consolidated subsidiary company which settles its accounts pursuant to the provisions of Article 12, paragraph (1), the balance sheet pertaining to the settlement of accounts).

(Consolidated Profit and Loss Statement)

Article 7 A consolidated balance sheet must be prepared based on the amounts of revenues, expenses, etc. reported on the profits and loss statements of consolidated companies for the period corresponding to the consolidated fiscal year of the company submitting consolidated financial statements (with regard to any relevant consolidated subsidiary company which settles its accounts pursuant to the provisions of Article 12, paragraph (1), the profit and loss statement pertaining to the settlement of accounts).

(Consolidated Statement of Comprehensive Income)

Article 7-2 A consolidated statement of comprehensive income must be prepared based on the amounts of the net income for the period and other comprehensive income of consolidated companies for the period corresponding to the consolidated fiscal year of the company submitting consolidated financial statements.

(Consolidated Statement of Changes in Net Assets)

Article 8 A consolidated statement of changes in net assets must be prepared based on the amounts of increases or decreases in net assets of consolidated companies for the period corresponding to the consolidated fiscal year of the company submitting consolidated financial statements.

(Consolidated Cash Flow Statement)

Article 8-2 A consolidated cash flow statement must be prepared based on the amounts reported on the cash flow statements of consolidated companies for the period corresponding to the consolidated fiscal year of the company submitting consolidated financial statements (with regard to any relevant consolidated subsidiary company which settles its accounts pursuant to the provisions of Article 12, paragraph (1), the cash flow statement pertaining to the settlement of accounts).

(Preparation of Comparative Information)

Article 8-3 consolidated financial statements for the current consolidated fiscal year must be prepared by including, as part of the consolidated financial statements, comparative information (meaning the matters pertaining to the previous consolidated fiscal year corresponding to the matters entered in the consolidated financial statements (excluding the consolidated supplementary schedules) for the current consolidated fiscal year).

(Valuation of Assets and Liabilities of Consolidated Subsidiary Companies)

Article 9 When preparing consolidated financial statements, assets and liabilities of consolidated subsidiary companies must be valued, investments by the company submitting consolidated financial statements in consolidated subsidiary companies must be offset against the corresponding equity of the consolidated subsidiary companies, and any other necessary elimination of items between the consolidated companies must be made.

(Application of Equity Method)

Article 10 (1) Investments in any non-consolidated subsidiary company or affiliated company must be reported on a consolidated balance sheet by indicating values calculated by the equity method; provided, however, that the equity method is not to be applied to investments in a company that fall under either of the following categories:

- (i) an affiliated company where the company submitting consolidated financial statements is found to only exert a temporary influence on the affiliated company's decisions on financial and operational or business policies; or
- (ii) a non-consolidated subsidiary company or affiliated company where application of the equity method to that company is found likely to lead persons interested in the company submitting consolidated financial statements to making a substantially erroneous determination.

(2) Where any non-consolidated subsidiary company or affiliated company to which the equity method should be applied pursuant to the provisions of the preceding paragraph does not, in terms of its profit or loss, retained earnings and any other items, exert a material influence on consolidated financial statements even if that company is excluded from the target of application of the equity method, that company may be excluded from the target of application of the equity method.

(Application of Tax Effect Accounting)

Article 11 With regard to consolidated companies' corporation tax and any other taxes that are imposed on amounts related to profits as the tax base (hereinafter referred to as "corporation tax, etc."), consolidated financial statements must be prepared by applying tax effect accounting (meaning an accounting process which, when there are differences between the amounts of assets and liabilities reported on the consolidated balance sheet and the amounts of assets and liabilities derived as a result of calculating the taxable income, reasonably matches the amount of net income for the period before deducing the corporation tax, etc. with the applicable amount of corporation tax, etc. through appropriate interperiod allocation of the amount of corporation tax, etc. pertaining to the differences; the same applies hereinafter).

(Subsidiary Company with Different Accounting Period)

Article 12 (1) Any consolidated subsidiary company the last day of whose business year differs from the consolidated closing date must, on the consolidated closing date, carry out the necessary settlement of accounts for preparing financial statements that serve as the basis for preparation of consolidated financial statements; provided, however, that this does not apply if the difference between the last day of the business year of the consolidated subsidiary company and the consolidated closing date is not more than three months, and consolidated financial statements are prepared based on financial statements for that business year.

(2) In cases of preparing consolidated financial statements pursuant to the provisions of the proviso to the preceding paragraph, adjustment must be made with regard to any material inconsistency in accounting records pertaining to transactions between consolidated companies that result from the fact that the last day of the business year of the consolidated subsidiary company differs from the consolidated closing date.

(Entries Related to Scope of Consolidation)

Article 13 (1) Matters on the scope of consolidation and other material matters that serve as the basis for preparing consolidated financial statements must be set down in the notes by classifying them into the following matters:

- (i) matters on the scope of consolidation;
- (ii) matters on application of the equity method;
- (iii) matters on the business year, etc. of consolidated subsidiary companies;
- and
- (iv) matters on accounting policies.

(2) With regard to the matters on the scope of consolidation set forth in item (i) of the preceding paragraph, the following matters are to be entered; provided, however, that, with regard to the matters set forth in item (i), if those matters are entered in the securities registration statement and the annual securities report, in a place other than consolidated financial statements, the entry of those matters may be omitted by making a statement to that effect:

- (i) the number of consolidated subsidiary companies and the names of major consolidated subsidiary companies;
- (ii) if there are any non-consolidated subsidiary companies, the names of major non-consolidated subsidiary companies and the reason for excluding them from the scope of consolidation;
- (iii) if, in spite of the company submitting consolidated financial statements holding a majority of the voting rights of another company, etc. on its own account, the relevant other company, etc. is not regarded as a subsidiary

- company, the name of the relevant other company, etc. and the reason for not regarding it as a subsidiary company; and
- (iv) if there is any special purpose company subject to disclosure (meaning the special purpose company subject to disclosure defined in Article 8-9, item (ii) of the Regulation on Financial Statements; hereinafter the same applies in this item), the outline of the special purpose company subject to disclosure, the outline and transaction amounts of transactions with the special purpose company subject to disclosure, and any other material matters.
- (3) With regard to the matters on application of the equity method set forth in paragraph (1) (ii), the following matters are to be entered:
- (i) the number of non-consolidated subsidiary companies or affiliated companies to which the equity method is applied and the names of major companies among them;
- (ii) if there are any non-consolidated subsidiary companies or affiliated companies to which the equity method is not applied, the names of major companies among them;
- (iii) if there are any non-consolidated subsidiary companies or affiliated companies to which the equity method is not applied, the reason for not applying the equity method;
- (iv) if, in spite of the company submitting consolidated financial statements holding not less than 20 percent but not more than 50 percent of the voting rights of another company, etc. on its own account, the relevant other company, etc. is not regarded as an affiliated company, the name of the relevant other company, etc. and the reason for not regarding it as an affiliated company; and
- (v) if there are any matters that are found particularly necessary to be entered with regard to the procedure for application of the equity method, the details thereof.
- (4) With regard to the matters on the business year, etc. of consolidated subsidiary companies set forth in paragraph (1), item (iii), if there is any consolidated subsidiary company the last day of whose business year differs from the consolidated closing date, the details thereof and whether or not the consolidated subsidiary company has carried out settlement of accounts for preparing financial statements that serve as the basis for preparation of consolidated financial statements are to be entered.
- (5) With regard to the matters on accounting policies set forth in paragraph (1), item (iv), the following matters are to be entered:
- (i) the valuation standards and the valuation method for material assets;
- (ii) the depreciation/amortization method for material depreciable/amortizable assets;
- (iii) standards on recognition of material allowances;

- (iv) the accounting method pertaining to retirement benefits;
- (v) standards on recognition of material revenues and expenses;
- (vi) the standards for translating material foreign currency dominated assets or liabilities into Japanese currency, adopted for preparing financial statements of consolidated companies that served as the basis for preparation of consolidated financial statements;
- (vii) any material method of hedge accounting (meaning the accounting process defined in Article 8-2, item (viii) of the Regulation on Financial Statements; the same applies in Article 15-7, paragraphs (1) and (3));
- (viii) the amortization method and amortization period of goodwill;
- (ix) the scope of Funds reported on the consolidated cash flow statement; and
- (x) other material matters for preparing consolidated financial statements.

(Notes on Change in Scope of Consolidation or Scope of Application of Equity Method)

Article 14 If among material matters that serve as the basis for preparation of consolidated financial statements, the scope of consolidation or the scope of application of the equity method has been changed, a statement to that effect and the reason for the change must be set down in the notes:

(Notes on Changes in Accounting Policies with Revision of Accounting Standards)

Article 14-2 The provisions of Article 8-3 (excluding the proviso to paragraph (1), the proviso to paragraph (2), and the proviso to paragraph (3)) of the Regulation on Financial Statements apply mutatis mutandis to the case where a change in accounting policies is made in line with revision, etc. of accounting standards, etc. (meaning the accounting standards, etc. prescribed in the main clause of paragraph (1) of that Article; the same applies hereinafter) (the revision, etc. of accounting standards, etc. means the revision, etc. of accounting standards, etc. prescribed in the main clause of that paragraph; the same applies in the following Article). In this case, the terms "business year" and "financial statements" in Article 8-3 of the Regulation on Financial Statements are deemed to be replaced with "consolidated fiscal year" and "consolidated financial statements" respectively.

(Notes on Changes in Accounting Policies Based on Justifiable Grounds Other Than Revision of Accounting Standards)

Article 14-3 The provisions of Article 8-3-2 (excluding the proviso to paragraph (1) and the proviso to paragraph (2)) of the Regulation on Financial Statements apply mutatis mutandis to the case where a change in accounting policies is made based on justifiable grounds other than a revision, etc. of accounting

standards, etc. In this case, the terms "business year" and "financial statements" in that Article are deemed to be replaced with "consolidated fiscal year" and "consolidated financial statements" respectively.

(Notes on Unapplied Accounting Standards)

Article 14-4 The provisions of Article 8-3-3, paragraph (1) of the Regulation of Financial Statements apply mutatis mutandis to the case where any of the already published accounting standards, etc. has not been applied. In this case, the term "financial statements" in item (iii) of that paragraph is deemed to be replaced with "consolidated financial statements".

(Notes on Changes in Presentation Methods)

Article 14-5 The provisions of Article 8-3-4 (excluding paragraph (4)) of the Regulation on Financial Statements apply mutatis mutandis to the case where a change in presentation method is made. In this case, the terms "financial statements" and "business year" in that Article are deemed to be replaced with "consolidated financial statements" and "consolidated fiscal year" respectively.

(Notes on Changes in Accounting Estimates)

Article 14-6 The provisions of Article 8-3-5 of the Regulation on Financial Statements apply mutatis mutandis to the case where a Change in Accounting Estimates is made. In this case, the term "financial statements" in item (ii) of that Article is deemed to be replaced with "consolidated financial statements" and the term "business year" in item (iii) of that Article is deemed to be replaced with "consolidated fiscal year".

(Notes Set Down If It Is Difficult to Distinguish Changes in Accounting Policies from Changes in Accounting Estimates)

Article 14-7 The provisions of Article 8-3-6 of the Regulation on Financial Statements apply mutatis mutandis to the case where it is difficult to distinguish a change in accounting policies from a change in accounting estimates. In this case, the term "financial statements" in item (iii) of that Article is deemed to be replaced with "consolidated financial statements" and the term "business year" in item (iv) of that Article is deemed to be replaced with "consolidated fiscal year".

(Notes on Restatement)

Article 14-8 The provisions of Article 8-3-7 of the Regulation on Financial Statements apply mutatis mutandis to the case where a restatement was made. In this case, the terms "financial statements" and "business year" in that Article are deemed to be replaced with "consolidated financial Statements" and

"consolidated fiscal year" respectively.

(Notes on Material Post-Balance Sheet Events)

Article 14-9 If any events that exert a material influence on the financial position, operating results and cash flow conditions of consolidated companies, as well as non-consolidated subsidiary companies and affiliated companies to which the equity method is applied, in and/or after the following consolidated fiscal year occur after the consolidated closing date (those events are hereinafter referred to as "material post-balance sheet events"), those events must be set down in the notes; provided, however, that, with regard to any subsidiary company or affiliated company the last day of whose business year differs from the consolidated closing date, those events that occur after the balance sheet date of the subsidiary company or affiliated company must be set down in the notes.

(Notes on Additional Information)

Article 15 In addition to the notes particularly specified under this Regulation, if there are any matters that are found to be necessary for persons interested in the company submitting consolidated financial statements to make adequate judgments on the financial position, operating results and cash flow conditions of the business group, those matters must be set down in the notes.

(Notes on Segment Information)

Article 15-2 (1) With regard to information on a certain unit of an enterprise (hereinafter referred to as a "reporting segment") (that information is hereinafter referred to as "segment information"), the following matters must be set down in the notes in accordance with Form No. 1:

- (i) the outline of any reporting segment;
- (ii) the amounts of the net sales, profit or loss, assets, liabilities and other items for each reporting segment and the methods of calculation of those amounts; and
- (iii) the differences between the total amounts of the amounts of the respective items set forth in the preceding item and the amounts reported on the consolidated balance sheet or the amounts reported on the consolidated profit and loss statement for the respective account titles equivalent to those items and the main contents of the differences.

(2) With regard to information related to a reporting segment (referred to as "Related Information" in Form No. 2), the following matters must be set down in the notes in accordance with that form:

- (i) information for each product and service;
- (ii) information for each region; and

- (iii) information for each major customer.
- (3) If the following items are reported in the consolidated balance sheet or the consolidated profit and loss statement, the outline for each reporting segment must be set down in the notes in accordance with Form No. 3:
 - (i) the impairment loss on fixed assets;
 - (ii) the amortization amount of goodwill and the unamortized balance; or
 - (iii) the gain from negative goodwill.
- (4) Notwithstanding the provisions of the preceding three paragraphs, notes may be omitted for immaterial matters.

(Notes on Lease Transactions)

Article 15-3 The provisions of Article 8-6 (excluding paragraph (4)) of the Regulation on Financial Statements apply mutatis mutandis to lease transactions. In this case, the term "company submitting financial statements" in paragraphs (1) and (3) of that Article is deemed to be replaced with "consolidated companies", the term "as of the end of the current business year" in paragraph (1), item (i), (a), and item (ii) of the same paragraph, and paragraph (2) of that Article is deemed to be replaced with "as of the end of the current consolidated fiscal year", the term "balance sheet date" in paragraph (1), item (ii), (b) of that Article is deemed to be replaced with "consolidated closing date", and the term "balance sheet" in paragraph (3) of that Article is deemed to be replaced with "consolidated balance sheet".

(Scope of Related Parties)

Article 15-4 As used in this Regulation, the term "related party" means any of the following persons:

- (i) the parent company of a company submitting consolidated financial statements;
- (ii) a non-consolidated subsidiary company of a company submitting consolidated financial statements;
- (iii) a company, etc. having the same parent company as a company submitting consolidated financial statements;
- (iv) any other associated company (meaning, when the company submitting consolidated financial statements is an affiliated company of another company, etc., the relevant other company, etc.; hereinafter the same applies in this item) of a company submitting consolidated financial statements, and the parent company or a subsidiary company of any other associated company;
- (v) an affiliated company of a company submitting consolidated financial statements, and a subsidiary company of the affiliated company;
- (vi) a major shareholder (meaning a major shareholder as defined in Article

- 163, paragraph (1) of the Act) of a company submitting consolidated financial statements and a close relative (meaning a relative within the second degree of kinship; the same applies in the following item to item (ix)) thereof;
- (vii) an officer of a company submitting consolidated financial statements and a close relative thereof;
 - (viii) an officer of the parent company of a company submitting consolidated financial statements and a close relative thereof;
 - (ix) an officer of a material subsidiary company of a company submitting consolidated financial statements and a close relative thereof;
 - (x) a company, etc. whose majority of voting rights are held by persons set forth in the preceding four items on their own account, and a subsidiary company of the company, etc.; or
 - (xi) a corporate pension for the workers of a company submitting financial statements (limited to cases where the corporate pension carries out material transactions (excluding contribution of premiums) with the company submitting consolidated financial statements or a consolidated subsidiary company).

(Notes on Transactions with Related Parties)

Article 15-4-2 (1) If a company submitting consolidated financial statements carries out transactions with any related party (the transactions include any transactions which the related party carries out with the company submitting consolidated financial statements for the benefit of a third party and any transactions carried out between the company submitting consolidated financial statements and a third party where the related party exerts a material influence on the company submitting consolidated financial statements with regard to the transactions), the following matters must be set down in the notes for each related party, in principle, with regard to any of those transactions that are material:

- (i) if the related party is a company, etc., its name, location, and stated capital or capital contribution, description of its business, and the share of voting rights in the related party held by the company submitting consolidated financial statements, or the share of voting rights in the company submitting consolidated financial statements held by the related party;
- (ii) if the related party is an individual, the name and occupation, and the share of voting rights in the company submitting consolidated financial statements held by the related party;
- (iii) the relationship between the company submitting consolidated financial statements and the related party;
- (iv) the details of the transactions;
- (v) the transaction amount by type of transactions;

- (vi) conditions of transactions and the policy for deciding the conditions of transactions;
 - (vii) the ending balances of the respective major account titles pertaining to claims and obligations arising from transactions;
 - (viii) if there have been any changes in the conditions of transactions, a statement to that effect, the details of the change, and the details of the influence of the change on the consolidated financial statements;
 - (ix) if claims against the related party are categorized as claims with a possibility of default (meaning claims with a possibility of default defined in Article 8-10, paragraph (1), item (ix) of the Regulation on Financial Statements) or bankruptcy or reorganization claims, etc. (meaning bankruptcy or reorganization claims, etc. defined in the same item; the same applies in Article 23, paragraph (1), item (iii)), the following matters:
 - (a) the balance of allowance for doubtful accounts as of the end of the current consolidated fiscal year;
 - (b) the provision of allowance for doubtful accounts, etc. reported for the current consolidated fiscal year; and
 - (c) the bad debt losses, etc. (including any bad debt losses incurred if the claims were categorized as general claims (meaning general claims defined in Article 8-10, paragraph (1), item (ix), (c) of the Regulation on Financial Statements)) reported for the current consolidated fiscal year; and
 - (x) if any allowances other than the allowance for doubtful accounts are established with regard to transactions with the related party, matters equivalent to those set forth in the preceding items regarding any of those allowances that are found appropriate to be set down in the notes.
- (2) Notwithstanding the provisions of the preceding paragraph, the matters set forth in items (ix) and (x) of that paragraph may be entered as a combined amount for each type of related party set forth in the items of Article 15-4.
- (3) The provisions of the preceding two paragraphs apply mutatis mutandis to cases where there are transactions between a consolidated subsidiary company and a related party.
- (4) With regard to any transactions with a related party which have been offset when preparing consolidated financial statements, the notes are not required.
- (5) With regard to any transactions with a related party, which are specified in the following items, the notes prescribed in paragraph (1) are not required:
- (i) transactions by general competitive bidding, receiving of interest on deposits and dividends, and other transactions of which conditions are apparently similar to those of general transactions in light of the nature of the transactions; and
 - (ii) payment of Remunerations, bonuses and retirement bonuses to officers.
- (6) The matters set forth in paragraph (1) (including the cases where it is applied

mutatis mutandis pursuant to paragraph (3)) must be set down in the notes according to Form No. 1 of the Regulation on Financial Statements

(Notes on Parent Company or Any Material Affiliated Company)

Article 15-4-3 (1) If companies set forth in the following items exist for a company submitting consolidated financial statements, the matters respectively specified in those items must be set down in the notes:

- (i) parent company: the name of the parent company and, when securities issued by the parent company are listed on a financial instruments exchange (meaning a financial instruments exchange defined in Article 2, paragraph (16) of the Act, including one established outside Japan which is of the same nature; hereinafter the same applies in this item), a statement to that effect and the name of the financial instruments exchange, and when securities issued by the parent company are not listed on a financial instruments exchange, a statement to that effect; and
 - (ii) material affiliated company: the name of any material affiliated company and the amounts for the following items on the balance sheet and the profit and loss statement of any material affiliated company on which the amount of investment return or investment loss under the equity method has been calculated:
 - (a) balance sheet items (meaning total current assets, total fixed assets, total current liabilities, total fixed liabilities, total net assets, and any other material items); and
 - (b) profit and loss statement items (meaning net sales, the amount of net income for the period before taxes or the amount of net loss for the period before taxes, the amount of net income for the period or the amount of net loss for the period, and any other material items).
- (2) The amounts for items set forth in item (ii), (a) and (b) of the preceding paragraph may, notwithstanding the provisions of the same paragraph, be entered by either of the following methods; in this case, a statement to that effect must be made:
- (i) the method of entering the combined amounts for the material Affiliated Companies; or
 - (ii) the method of entering the combined amounts for affiliated companies on which the amount of investment return or investment loss under the equity method has been calculated.

(Notes on Tax Effect Accounting)

Article 15-5 (1) When tax effect accounting is applied pursuant to the provisions of Article 11, the matters set forth in the following items must be set down in the notes:

- (i) breakdown of major causes for the occurrence of deferred tax assets (meaning the amount reported as assets as a result of applying tax effect accounting; the same applies hereinafter) and deferred tax liabilities (meaning the amount reported as liabilities as a result of applying tax effect accounting; the same applies hereinafter);
 - (ii) if there is a difference between the tax rate used for calculating the corporation tax, etc. of the company submitting consolidated financial statements for the relevant consolidated fiscal year (hereinafter referred to as the "normal effective statutory tax rate" in this Article) and the ratio of the corporation tax, etc. (including the deferred corporation tax, etc. reported as a result of applying tax effect accounting) to the net income for the period before deducting the corporation tax, etc. (hereinafter referred to as the "burden ratio of corporation tax, etc. after application of tax effect accounting" in this Article), the breakdown of the cause for the difference, by major item;
 - (iii) if the amount of deferred tax assets and the amount of deferred tax liabilities have been revised as a result of a change in the tax rate of any corporation tax, etc., a statement to that effect and the amounts as revised; and
 - (iv) if there was a change in the tax rate of any corporation tax, etc. after the consolidated closing date, the details of the change and the influence thereof.
- (2) If any amount has been deducted from the deferred tax assets when calculating the deferred tax assets, the amount must be set down in the notes in addition to the matters set forth in item (i) of the preceding paragraph.
- (3) With regard to the matters set forth in paragraph (1), item (ii), the notes may be omitted if the difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc. after application of tax effect accounting is not more than five percent of the normal effective statutory tax Rate.

(Notes on Financial Instruments)

Article 15-5-2 (1) With regard to financial instruments, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

- (i) the following matters concerning the conditions of financial instruments:
 - (a) the policy on dealing in financial instruments;
 - (b) contents of financial instruments and the risks involved in the financial instruments; and
 - (c) the risk management system for financial instruments;
- (ii) the following matters concerning the market prices of financial instruments:

- (a) the amounts reported on the consolidated balance sheet for the respective account titles of the consolidated balance sheet as of the consolidated closing date;
 - (b) the market prices for the respective account titles of the consolidated balance sheet as of the consolidated closing date;
 - (c) the differences between the amounts reported on the consolidated balance sheet for the respective account titles of the consolidated balance sheet as of the consolidated closing date and the market prices for the respective account titles of the consolidated balance sheet as of the consolidated closing date;
 - (d) the calculation methods for the market prices for the respective account titles of the consolidated balance sheet; and
 - (e) explanations on the matters set forth in (b) to (d).
- (2) Notwithstanding the provisions of the main clause of the preceding paragraph, the matters set forth in item (ii), (b) to (e) of that paragraph are not required to be set down in the notes, if it is extremely difficult to identify the market prices. In this case, a statement to that effect and the reason therefor must be set down in the notes.
- (3) With regard to a consolidated company for which financial assets (meaning the financial assets defined in Article 8, paragraph (41) of the Regulation on Financial Statements; hereinafter the same applies in this paragraph) and financial liabilities (meaning the financial liabilities defined in paragraph (41) of that Article; hereinafter the same applies in this paragraph) respectively constitute most of the total amount of assets and the total amount of liabilities, and at the same time the financial assets and financial liabilities are material in light of the business purpose of the company, if the rates of fluctuations in the values of the financial assets and financial liabilities against fluctuations in the figures of money rates, values of currencies, quotations on financial instruments markets (meaning the financial instruments markets defined in Article 2, paragraph (14) of the Act; hereinafter the same applies in this paragraph) and any other indicators, which serve as the causes of major market risks (meaning risks of losses incurred by fluctuations in the indicators; hereinafter the same applies in this paragraph and the following paragraph) associated with the financial assets and financial liabilities are material, the matters specified in the following items for the respective categories of financial instruments set forth in those items must be set down in the notes:
- (i) financial instruments for which quantitative analyses on market risks are used in their risk management; the quantitative information based on the analyses and information related thereto; or
 - (ii) financial instruments for which quantitative analyses on market risks are

not used in their risk management: the matters set forth in (a) and (b) below:

(a) the fact that quantitative analyses on market risks are not used in their risk management; and

(b) increases and decreases in market prices that have been calculated by assuming a reasonable extent of fluctuations in the figures of money rates, values of currencies, quotations on financial instruments markets and any other indicators, which serve as the causes of market risks, and information related thereto.

(4) If the matters set forth in item (ii), (b) of the preceding paragraph do not appropriately reflect the actual conditions of market risks associated with the consolidated company, a statement to that effect and the reason therefor must be set down in the notes.

(5) With regard to monetary claims (excluding those held for the purpose of gaining profits from fluctuations in market price) and securities (excluding trading securities) that have maturities, the total amount of the claims or securities to be redeemed within a certain period must be set down in the notes.

(6) With regard to corporate bonds, long-term borrowings, lease obligations and any other debts which require payment of interests, the total amount of the debts to be repaid within a certain period must be set down in the notes; provided, however, that if the amount is entered in a schedule of corporate bonds or a schedule of borrowings, etc. prescribed in Article 92, paragraph (1), a statement to that effect may be set down in the notes in lieu of entering the amount.

(Notes on Securities)

Article 15-6 (1) In addition to the matters specified in the preceding Article, with regard to securities, the matters specified in the following items for the respective categories of securities set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) trading securities: the valuation difference included in the profit or loss for the Current Consolidated Fiscal Year;

(ii) bonds held to maturity: by categorizing bonds held to maturity into those of which the market price as of the consolidated closing date exceeds the amount reported on the consolidated balance sheet as of the consolidated closing date and those of which the market price does not exceed the amount reported on the consolidated balance sheet, the following matters for each of those categories:

(a) the amount reported on the consolidated balance sheet as of the consolidated closing date;

(b) the market price as of the consolidated closing date; and

- (c) the difference between the amount reported on the consolidated balance sheet as of the consolidated closing date and the market price as of the consolidated closing date;
 - (iii) other securities: by categorizing each class of securities (meaning shares, bonds and any other securities; the same applies in item (v)) into those of which the amount reported on the consolidated balance sheet as of the consolidated closing date exceeds the acquisition cost and those of which the amount reported on the consolidated balance sheet does not exceed the acquisition cost, the following matters for each of those categories:
 - (a) the amount reported on the consolidated balance sheet as of the consolidated closing date;
 - (b) the acquisition cost; and
 - (c) the difference between the amount reported on the consolidated balance sheet as of the consolidated closing date and the acquisition cost;
 - (iv) bonds held to maturity that were sold off during the current consolidated fiscal year: the cost of the bonds sold, the sale price, the profit or loss on sale, and the reason for the sale, by class of bonds; and
 - (v) other securities that were sold off during the current consolidated fiscal year: the sale price, the total amount of profit on sale and the total amount of loss on sale, by class of Securities.
- (2) If the holding purpose for trading securities, bonds held to maturity, subsidiary company shares, affiliated company shares, or other securities has been changed during the current consolidated fiscal year, a statement to that effect, the reason for the change (limited to the case of having changed the holding purpose for bonds held to maturity), and details of the influence of the change on the consolidated financial statements must be set down in the notes; provided, however, that notes may be omitted for immaterial matters.
- (3) In cases of having recognized impairment losses on securities during the current consolidated fiscal year, a statement to that effect and the amount of the impairment losses must be set down in the notes; provided, however, that notes may be omitted for immaterial matters.

(Notes on Derivative Transactions)

Article 15-7 (1) In addition to the matters specified in Article 15-5-2, with regard to derivative transactions, the matters specified in the following items for the respective categories of transactions set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

- (i) derivative transactions to which hedge accounting is not applied: the following matters by type of the subject matter of transactions (meaning currencies, money rates, shares, bonds, commodities and any other subject

- matter of transactions; the same applies in the following item):
- (a) the contract amount as of the consolidated closing date or the principal equivalent amount specified in the contract;
 - (b) the market price and valuation gain or loss as of the consolidated closing date; and
 - (c) the calculation method for the market price; and
- (ii) derivative transactions to which hedge accounting is applied: the following matters by type of subject matter of transactions:
- (a) the contract amount as of the consolidated closing date or the principal equivalent amount specified in the contract;
 - (b) the market price as of the consolidated closing date; and
 - (c) the calculation method for the market price.
- (2) The matters specified in item (i) of the preceding paragraph must be entered after being categorized into the type of transactions (meaning futures transactions, options transactions, forward transactions, swap transactions and any other derivative transactions; the same applies in the following paragraph), distinction between market transactions (meaning the market transactions defined in Article 8, paragraph (10), item (iii) of the Regulation on Financial Statements) and transactions other than market transactions, distinction between those pertaining to purchase contracts and those pertaining to sale contracts, the period from the consolidated closing date to the settlement date of the transaction or to the time of termination of the contract, and other matters.
- (3) The matters specified in paragraph (1), item (ii) must be entered after being categorized into the method of hedge accounting, the type of transactions, the hedged items (meaning the hedged items defined in Article 8-2, item (viii) of the Regulation on Financial Statements), and other matters.

(Notes on Retirement Benefits Based on Defined Benefit Plan)

Article 15-8 (1) If a defined benefit plan (meaning the defined benefit plan prescribed in Article 8-13, paragraph (1) of the Regulation on Financial Statements; the same applies in item (i)) is adopted for retirement benefits, the following matters must be set down in the notes:

- (i) an outline of the defined benefit plan;
- (ii) a reconciliation of the beginning balance and the ending balance of retirement benefit obligations, including the amounts of the following items:
 - (a) the service cost;
 - (b) the interest cost;
 - (c) the amount of the actuarial gain/loss arisen;
 - (d) the amount of retirement benefits paid;
 - (e) the amount of the past service cost arisen; and

- (f) others;
- (iii) a reconciliation of the beginning balance and the ending balance of pension assets, including the amounts of the following items:
 - (a) the expected return;
 - (b) the amount of the actuarial gain/loss arisen;
 - (c) the amount of contribution from the company, etc. which is the employer;
 - (d) the amount of retirement benefits paid; and
 - (e) others;
- (iv) a reconciliation of the ending balances of retirement benefit obligations and pension assets and the net defined benefit liability and net defined benefit asset reported on the consolidated balance sheet;
- (v) the amounts of the retirement benefit expenses and the following constituent items thereof:
 - (a) the service cost;
 - (b) the interest cost;
 - (c) the expected return;
 - (d) the amount of the actuarial gain/loss reported as an expense;
 - (e) the amount of the past service cost reported as an expense; and
 - (f) others;
- (vi) the amounts of the remeasurements of defined benefit plans (meaning the total of the amounts set forth in (a) to (c) below; the same applies in Article 69-5, paragraph (1), item (iv)) and the following constituent items thereof:
 - (a) the total of the amount of the actuarial gain/loss arisen (excluding the amount that has been reported as an expense in the current consolidated fiscal year) and the amount of unrecognized actuarial gain/loss reported as accumulated remeasurements of defined benefit plans (meaning the total of the amounts set forth in (a) to (c) of the following item; the same applies in this paragraph and Article 43-2, paragraph (1), item (v)) which corresponds to the amount that has been reported as an expense;
 - (b) the total of the amount of the past service cost arisen (excluding the amount that has been reported as an expense in the current consolidated fiscal year) and the amount of unrecognized past service cost reported as accumulated remeasurements of defined benefit plans which corresponds to the amount that has been reported as an expense; and
 - (c) others;
- (vii) the amounts of accumulated remeasurements of defined benefit plans and the following constituent items thereof:
 - (a) unrecognized actuarial gain/loss;
 - (b) unrecognized past service cost; and
 - (c) others;
- (viii) the following matters concerning pension assets:

- (a) the major breakdown of pension assets (if, with regard to a corporate pension plan (meaning a plan whereby a company, etc. pays retirement benefits using assets accumulated outside of the company, etc. as the resource) for which a retirement benefit trust (meaning a trust for the purpose of retirement benefits) has been established, the proportion of the amount of trust property pertaining to the retirement benefit trust in the total amount of pension assets is material, this includes the proportion or amount); and
 - (b) the method of establishment of the long-term expected rate of return;
 - (ix) the following matters concerning the actuarial calculation basis:
 - (a) the discount rate;
 - (b) the long-term expected rate of return; and
 - (c) others; and
 - (x) any other matters.
- (2) Items categorized as those set forth in item (ii), (f), item (iii), (e), item (vi), (c), and item (vii), (c) of the preceding paragraph must be set down with a name that is indicative of the item, unless its amount is found to be immaterial.

(Notes on Retirement Benefits Based on Defined-Contribution Plan)

Article 15-8-2 The provisions of Article 8-13-2, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to the case where a defined-contribution plan (meaning the defined-contribution plan prescribed in Article 8-13, paragraph (1) of the Regulation on Financial Statements) is adopted for retirement benefits.

(Notes on Retirement Benefits Based on Multi-Employer Plan)

Article 15-8-3 The provisions of Article 8-13-3 (excluding paragraph (3)) of the Regulation on Financial Statements apply mutatis mutandis to the case where a multi-employer plan (meaning the multi-employer plan prescribed in paragraph (1) of that Article) is adopted for retirement benefits. In this case, the terms "the provisions of Article 8-13" and "company submitting financial statements" in paragraph (1) of that Article are deemed to be replaced with "the provisions of Article 15-8" and "consolidated companies" respectively, the term "Article 8-13, paragraph (1), items (ii) to (viii)" in item (i) of that paragraph is deemed to be replaced with "Article 15-8, paragraph (1), items (ii) to (x)", and the term "Article 8-13, paragraph (1)" in paragraph (2) of that Article is deemed to be replaced with "Article 15-8, paragraph (1)".

(Notes on Grant or Issuance of Stock Options, Options on Company's Own Shares or Company's Own Shares)

Article 15-9 The provisions of Article 8-14, paragraph (1) of the Regulation on

Financial Statements apply mutatis mutandis to cases where stock options or options on the company's own shares have been granted or the company's own shares have been issued. In this case, the term "business year" in item (i) of that paragraph is deemed to be replaced with "consolidated fiscal year".

(Notes on Stock Options)

Article 15-10 The provisions of Article 8-15 (excluding paragraph (9)) of the Regulation on Financial Statements apply mutatis mutandis to cases where stock options have been granted. In this case, the term "in the current business year" in paragraph (1), item (ii), (b), (c), (e) and (f), the term "during the current business year" in item (ix) of that paragraph, the term "granted during the current business year" in paragraph (4) of that Article, and the term "during the relevant business year" in paragraph (7) of that Article are deemed to be replaced with "in the current consolidated fiscal year", "during the current consolidated fiscal year", "granted during the current consolidated fiscal year", and "during the relevant consolidated fiscal year", respectively, the terms "end of the previous business year" and "end of the current business year" in paragraph (1), item (ii), (d) and (g) and the term "end of the business year" in paragraph (7) of that Article are deemed to be replaced with "end of the previous consolidated fiscal year", "end of the current consolidated fiscal year", and "end of the consolidated fiscal year" respectively, and the term "conditions during the current business year" in paragraph (4) of that Article is deemed to be replaced with "conditions during the current consolidated fiscal year".

(Notes on Transactions for Which Consideration Consists of Options on Company's Own Shares or Company's Own Shares)

Article 15-11 The provisions of Article 8-16 (excluding paragraph (3)) of the Regulation on Financial Statements apply mutatis mutandis to cases where options on the company's own shares have been granted or the company's own shares have been delivered in consideration for receipt of service or acquisition of goods.

(Notes Set Down If Business Combination through Acquisition Has Been Implemented)

Article 15-12 (1) If a Business Combination through acquisition of another Enterprise or a business segment of another Enterprise has been carried out during the current consolidated fiscal year, the following matters must be set down in the notes:

- (i) the outline of the business combination;
- (ii) the period of performance of the acquired enterprise or the acquired

- business included in the consolidated financial statements;
- (iii) the acquisition cost for the acquired enterprise or the acquired business, and the breakdown by type of consideration;
 - (iv) if shares have been delivered as the consideration for acquisition, the exchange ratio and the calculation method thereof and the number of shares delivered or to be delivered by class of shares;
 - (v) the details and amount of major expenses related to acquisition;
 - (vi) if the acquisition has been carried out through multiple transactions, the difference between the acquisition cost of the acquired enterprise and the total amount of the acquisition costs of the respective transactions leading to the acquisition;
 - (vii) the amount of goodwill that occurred, the cause for the occurrence, the amortization method, and the amortization period, or the amount of gain from negative goodwill and the cause for the occurrence;
 - (viii) the amount of assets accepted and liabilities assumed on the date of the business combination, and major breakdown thereof;
 - (ix) the details of contingent consideration (meaning the consideration for acquisition that is additionally delivered or transferred depending on future events or transaction results that occur after the conclusion of the business combination, which is specified in the business combination contract) provided for in the business combination contract and the accounting policy for the current consolidated fiscal year and thereafter;
 - (x) if most of the acquisition cost has been allocated to intangible fixed assets other than goodwill, the amount that has been allocated to intangible fixed assets other than goodwill, the breakdown thereof by major type, and the weighted average amortization period for the entirety thereof and that by major type;
 - (xi) if allocation of the acquisition cost has yet to complete, a statement to that effect, the reason therefor; and
 - (xii) the estimated amount of influence that would be exerted on the consolidated profit and loss statement for the current consolidated fiscal year if the business combination is assumed to have been completed on the day of commencement of the Consolidated Fiscal Year, and the calculation method thereof (excluding the cases where the estimated amount of influence is not material).
- (2) Notwithstanding the provisions of the preceding paragraph, the notes may be omitted if the transaction pertaining to the business combination is not material; provided, however, that if the transactions pertaining to individual business combinations during the current consolidated fiscal year are not material, but the transactions pertaining to multiple business combinations during the current consolidated fiscal year are material as a whole, the matters

set forth in item (i) and items (iii) to (x) of that paragraph must be set down in the notes for the business combinations as a whole.

(3) The estimated amount of influence set forth in paragraph (1), item (xii) is to be any of the following amounts and, if the notes have yet to receive an audit certification, a statement to that effect must be made:

(i) the difference between net sales and the profit and loss information calculated by assuming that the business combination is completed on the day of commencement of the consolidated fiscal year and net sales and the profit and loss information on the consolidated profit and loss statement of the acquiring enterprise; or

(ii) net sales and the profit and loss information calculated by assuming that the business combination is completed on the day of commencement of the consolidated fiscal year.

(4) If a material review has been made in the initially allocated amounts of the acquisition costs in the current consolidated fiscal year in line with the determination of the provisional accounting process pertaining to the business combination implemented in the previous consolidated fiscal year, the details and amounts of the review must be set down in the notes.

Article 15-13 deletion

(Notes on Common Control Transaction)

Article 15-14 (1) If a common control transaction, etc. has been carried out during the current consolidated fiscal year, the following matters must be set down in the notes:

(i) the outline of the transaction;

(ii) an outline of the implemented accounting processes;

(iii) in the case of having additionally acquired subsidiary company shares, the matters set forth in Article 15-12, paragraph (1), items (iii), (iv), and (ix); and

(iv) matters concerning changes in the equity of the company submitting consolidated financial statements pertaining to transactions with non-controlling shareholders (meaning shareholders of consolidated subsidiary companies excluding consolidated companies; hereinafter the same applies in this item and Article 88, paragraph (2)) (those matters mean the major causes of changes and the amounts of increases or decreases in capital surplus pertaining to transactions with the non-controlling shareholders).

(2) Notwithstanding the provisions of the preceding paragraph, the notes may be omitted if the common control transaction, etc. is not material; provided, however, that if individual common control transactions, etc. during the current consolidated fiscal year are not material, but multiple common control transactions, etc. during the current consolidated fiscal year are material as a

whole, the matters set forth in the items of that paragraph must be set down in the notes for the common control transactions, etc. as a whole.

(Notes on Formation of Jointly Controlled Enterprises)

Article 15-15 The provisions of Article 8-22 (excluding paragraph (3)) of the Regulation on Financial Statements apply mutatis mutandis to a formation of jointly controlled enterprises (meaning a formation of a jointly controlled enterprise prescribed in paragraph (1) of that Article; the same applies in paragraph (1) of the following Article). In this case, the term "business year" in Article 8-22 of the Regulation on Financial Statements is deemed to be replaced with "consolidated fiscal year".

(Notes by Divesting Enterprise in Business Divestitures)

Article 15-16 (1) If a material business divestiture has been carried out during the current consolidated fiscal year, and the business divestiture falls under neither a common control transaction, etc. nor a formation of a jointly controlled enterprise, the divesting enterprise must set down the following matters in the notes, in the consolidated fiscal year in which the business divestiture was carried out:

- (i) the outline of the business divestiture;
- (ii) the outline of the implemented accounting processes;
- (iii) the name of the reporting segment in which the divested business was included;
- (iv) the estimated amount of profit or loss pertaining to the divested business, which is reported on the consolidated profit and loss statement for the current consolidated fiscal year; and
- (v) if, for a business divestiture for which a gain or loss on transfer has been recognized, there is any continuing involvement other than holding successor enterprise shares as subsidiary company shares or affiliated company shares, the outline of the continuing involvement.

(2) The notes may be omitted for the matters set forth in item (v) of the preceding paragraph if the continuing involvement is insignificant.

(3) If the transactions pertaining to individual business divestitures during the current consolidated fiscal year are not material, but the transactions pertaining to multiple business divestitures during the current consolidated fiscal year are material as a whole, the matters set forth in items (i) and (ii) of that paragraph must, notwithstanding the provisions of paragraph (1), be set down in the notes for the transactions pertaining to business divestitures as a whole.

(Notes by Successor Enterprise in Business Divestitures)

Article 15-17 The provisions of Article 8-24, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to a business divestiture that does not fall under a business combination.

(Notes on Business Combination of Subsidiary Company)

Article 15-18 (1) If a subsidiary company no longer falls under a subsidiary company as a result of carrying out a business combination, a company submitting consolidated financial statements must set down the following matters in the notes, in the consolidated fiscal year in which the business combination was carried out:

- (i) the outline of the business combination carried out by the subsidiary company;
 - (ii) the outline of the implemented accounting processes;
 - (iii) the name of the reporting segment in which the subsidiary company was included;
 - (iv) the estimated amount of profit or loss pertaining to the subsidiary company, which is reported on the consolidated profit and loss statement for the relevant consolidated fiscal year; and
 - (v) if, for a business combination of a subsidiary company for which the parent company has recognized a gain or loss on exchange of shares, there is any continuing involvement other than holding shares of the subsidiary company as affiliated company shares, the outline of the continuing involvement.
- (2) The notes may be omitted for the matters set forth in item (v) of the preceding paragraph if the continuing involvement is insignificant.
- (3) Notwithstanding the provisions of paragraph (1), the notes may be omitted if the transaction pertaining to the business combination is not material; provided, however, that if the transactions pertaining to individual business combinations during the current consolidated fiscal year are not material, but the transactions pertaining to multiple business combinations during the consolidated fiscal year are material as a whole, the matters set forth in items (i) and (ii) of that paragraph must be set down in the notes.

(Notes on Material Post-Balance Sheet Events Related to Business Combinations)

Article 15-19 The provisions of Article 8-25 (excluding paragraph (3)) of the Regulation on Financial Statements apply mutatis mutandis to a material post-balance sheet event related to a business combination and a business combination wherein an agreement has been reached on major conditions by the consolidated closing date and which has not been completed by that date. In this case, the term "balance sheet date" in that Article is deemed to be replaced with "consolidated closing date".

(Notes on Material Post-Balance Sheet Events Related to Business Divestitures)

Article 15-20 The provisions of Article 8-26, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to a material post-balance sheet event related to a business divestiture and a business divestiture wherein an agreement has been reached on major conditions by the consolidated closing date and which has not been completed by that date. In this case, the term "balance sheet date" in that paragraph is deemed to be replaced with "consolidated closing date".

(Notes on Post-Balance Sheet Events Related to Business Combination of Subsidiary Company)

Article 15-21 If a business combination of a subsidiary company (limited to cases where it no longer falls under a subsidiary company as a result of the business combination) is a case set forth in the following items, the matters respectively specified in those items must be set down in the notes:

- (i) cases where a business combination of a subsidiary company that has been completed after the consolidated closing date falls under a material post-balance sheet event: the matters equivalent to the matters set forth in the items of Article 15-18, paragraph (1);
- (ii) cases where a business combination of a subsidiary company wherein an agreement has been reached on major conditions after the consolidated closing date falls under a material post-balance sheet event: the matters equivalent to the matters set forth in Article 15-18, paragraph (1), items (i) and (iii); and
- (iii) cases where a business combination of a subsidiary company wherein an agreement was reached on major conditions before the consolidated closing date has not been completed by that date (excluding the cases set forth in item (i)): the matters equivalent to the matters set forth in Article 15-18, paragraph (1), items (i) and (iii).

(Notes on Going Concern Assumption)

Article 15-22 The provisions of Article 8-27 of the Regulation on Financial Statements apply mutatis mutandis to a company submitting consolidated financial statements. In this case, the term "balance sheet date" in that Article is deemed to be replaced with "consolidated closing date" and the term "financial statements" in item (iv) of that Article is deemed to be replaced with "consolidated financial statements".

(Notes on Asset Retirement Obligations)

Article 15-23 The provisions of Article 8-28, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to asset retirement obligations. In this case, the terms "balance sheet" and "the relevant business year" in that paragraph are deemed to be replaced with "consolidated balance sheet" and "the current consolidated fiscal year" respectively.

(Notes on Rental Real Properties)

Article 15-24 If there is any rental, etc. real property (meaning a real property which is other than a real property classified as an inventory asset and is owned for the purpose of revenues or profits from rental or transfer; hereinafter the same applies in this Article), the following matters must be set down in the notes; provided, however, that if the total amount of rental, etc. real properties is not material, the notes may be omitted:

- (i) the outline of any rental, etc. real property;
- (ii) the amount of any rental, etc. real property reported in the consolidated balance sheet and any major change during the current consolidated fiscal year;
- (iii) the market price of any rental, etc. real property as of the consolidated closing date and the method of calculation of the market price; and
- (iv) the profit or loss concerning any rental, etc. real property.

(Noting Method)

Article 16 (1) The notes under Article 13 must be included immediately after the consolidated cash flow statement.

(2) The notes under Articles 14 to 14-3 must be included immediately after the notes under Article 13.

(3) The notes to be included pursuant to the provisions of this Regulation (excluding the notes under Articles 13 to 14-3) must be included immediately after the notes under Articles 14 and 14-3; provided, however, that this does not apply in the following cases:

(i) in cases where matters related to the matters that are entered pursuant to the provisions of Article 13 are entered together with the notes; or

(ii) in cases where notes that are found appropriate to be included as Footnotes (meaning the notes included at the end of the table or account statement contained in the Consolidated Financial Statements in which the matters pertaining to the notes are entered) are included as Footnotes.

(4) Notwithstanding the provisions of the preceding paragraph, the notes under Article 15-22 must be included immediately after the consolidated cash flow statement. In this case, notwithstanding the provisions of paragraph (1), the notes under Article 13 must be included immediately after the notes under Article 15-22.

(5) In the case of including notes that are related to a specific account title pursuant to the provisions of this Regulation, the association between the account title and the notes must be made clear by appending a symbol to the account title or by other similar methods.

(Units for Presenting Amounts)

Article 16-2 The amounts for the account titles and any other matters contained in consolidated financial statements are to be presented in units of million yen or thousand yen.

Chapter II Consolidated Balance Sheet

Section 1 General Provisions

(Methods of Entry in Consolidated Balance Sheet)

Article 17 (1) The methods of entry in a consolidated balance sheet are in accordance with the provisions of this Chapter.

(2) Entries in a consolidated balance sheet are to be made in accordance with Form No. 4.

(Classification into Assets, Liabilities and Net Assets)

Article 18 Assets, liabilities and net assets must be entered after respectively being classified into the assets section, liabilities section, and net assets section.

(Categorization of Assets and Liabilities by Business)

Article 19 If Consolidated Companies engage in two or more different types of businesses, entries concerning assets and liabilities may be made by categorization under types of business.

(Arrangement of Account Titles)

Article 20 The account titles of assets and liabilities are to be arranged by using the method of current arrangement.

Section 2 Assets

(Classification of Assets)

Article 21 Assets must be entered after being classified into current assets, fixed assets and deferred assets, and assets categorized as fixed assets must be entered after further being classified into tangible fixed assets, intangible fixed assets, investments, and any other assets.

(Scopes of the Respective Classes of Assets)

Article 22 The provisions of Articles 15 to 16-3, 22, 27, 31 to 31-5, and 36 of the Regulation on Financial Statements apply mutatis mutandis to the scopes of current assets, tangible fixed assets, intangible fixed assets, investments and other assets, and deferred assets. In this case, the term "the company submitting financial statements" in Article 22, item (viii) and Article 27, item (xii) of the Regulation on Financial Statements is deemed to be replaced with "a consolidated company" and the term "prepaid pension cost" in Article 31, item (iv) of the Regulation on Financial Statements is deemed to be replaced with "net defined benefit asset".

(Separate Presentation of Current Assets)

Article 23 (1) Assets categorized as current assets must be set down under account titles having names that indicate those assets, in accordance with the following classification of items; provided, however, that assets categorized under any of those items of which the amount is not more than one percent of the total amount of assets and which are found appropriate to be presented collectively with assets categorized under another item, may be set down collectively under an account title having an appropriate name:

(i) cash and deposits;

(ii) negotiable instruments receivable and accounts receivable;

(iii) lease receivables and lease investment assets (limited to those that have arisen based on ordinary transactions, and excluding bankruptcy or reorganization claims, etc. that are clearly not able to be called within one year);

(iv) securities;

(v) merchandise and manufactured goods (including semi-finished goods);

(vi) work in progress;

(vii) raw materials and supplies;

(viii) deferred tax assets; and

(ix) others.

(2) Where assets categorized under any of the items set forth in the items of the preceding paragraph are found appropriate to be presented separately, the provisions of that paragraph do not preclude those assets from being set down separately under an account title with a name that indicates those assets.

(3) Among the assets categorized under the item set forth in paragraph (1), item (ix), any assets of which the amount exceeds five percent of the total amount of assets must be set down separately under an account title having a name that indicates those assets.

(4) Notwithstanding the provisions of the main clause of paragraph (1), assets categorized under the items set forth in items (v) to (vii) of the same paragraph

may be set down collectively under the account title of inventory assets. In this case, the account titles of the assets categorized under those items and the amounts thereof must be set down in the notes.

(Presentation of Allowances Pertaining to Current Assets)

Article 24 The provisions of Article 20 (excluding paragraph (3)) of the Regulation on Financial Statements apply *mutatis mutandis* to allowances pertaining to assets categorized as current assets.

Article 25 Deleted.

(Separate Presentation of Tangible Fixed Assets)

Article 26 (1) Assets categorized as tangible fixed assets must be set down under account titles having names that indicate those assets, in accordance with the following classification of items; provided, however, that assets categorized under any of those items of which the amount is not more than one percent of the total amount of assets and which are found appropriate to be presented collectively with assets categorized under another item, may be set down collectively under an account title having an appropriate name:

- (i) buildings (including their attached facilities) and structures;
- (ii) machinery and equipment (including their attached facilities) and delivery equipment (vessels and water delivery equipment, railway vehicles and any other land delivery equipment, and aircrafts);
- (iii) land;
- (iv) leased assets (limited to assets for which a consolidated company is the lessee of the leased property in finance lease transactions, and where the leased property is any of the objects set forth in the preceding three items or in item (vi));
- (v) construction in progress; and
- (vi) others.

(2) The provisions of Article 23, paragraph (2) apply *mutatis mutandis* to the cases set forth in the preceding paragraph.

(3) Notwithstanding the provisions of paragraph (1), assets categorized as the leased assets set forth in item (iv) of that paragraph may be included in any of the items set forth in the items of that paragraph (excluding items (iv) and (v)).

(4) The provisions of Article 23, paragraph (3) apply *mutatis mutandis* to the assets set forth in paragraph (1), item (vi).

(Presentation of Amounts of Accumulated Depreciation)

Article 27 The provisions of Articles 25 and 26, paragraph (1) of the Regulation on Financial Statements apply *mutatis mutandis* to the amounts of

accumulated depreciation for buildings, structures, and any other tangible fixed assets.

(Presentation of the Amounts of Accumulated Impairment Loss)

Article 27-2 The provisions of Article 26-2 (excluding paragraph (5)) of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated impairment loss for tangible fixed assets.

(Separate Presentation of Intangible Fixed Assets)

Article 28 (1) Assets categorized as intangible fixed assets must be set down under account titles having names that indicate those assets, in accordance with the following classification of items; provided, however, that assets categorized under the item set forth in item (i) or item (ii) of which the amount is not more than one percent of the total amount of assets may be set down collectively with assets categorized under item (iii):

(i) goodwill;

(ii) leased assets (limited to assets for which a consolidated company is the lessee of the leased property in finance lease transactions, and where the leased property is categorized under the following item); and

(iii) others.

(2) The provisions of Article 23, paragraph (2) apply mutatis mutandis to the cases set forth in the preceding paragraph.

(3) Notwithstanding the provisions of paragraph (1), assets categorized as the leased assets set forth in item (ii) of that paragraph may be included in the item set forth in item (iii) of that paragraph.

(4) The provisions of Article 23, paragraph (3) apply mutatis mutandis to the assets set forth in paragraph (1), item (iii).

(5) A difference that results from investments by consolidated companies being in excess of the amount of corresponding equity of consolidated subsidiary companies is presented by including it into goodwill.

Article 29 The provisions of Article 30 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated amortization and the amounts of accumulated impairment loss for intangible fixed assets.

(Separate Presentation of Investments and Other Assets)

Article 30 (1) Assets categorized as investments and other assets must be set down under account titles having names that indicate those assets, in accordance with the following classification of items; provided, however, that assets categorized under an item other than that set forth in item (iv) of which the amount is not more than one percent of the total amount of assets and

which are found appropriate to be presented collectively with assets categorized under another item, may be set down collectively under an account title having an appropriate name:

- (i) investment securities;
- (ii) long-term loans;
- (iii) deferred tax assets;
- (iv) net defined benefit asset; and
- (v) others.

- (2) The amounts of shares and corporate bonds of non-consolidated subsidiary companies and affiliated companies, any other securities (meaning securities other than shares and corporate bonds) issued by non-consolidated subsidiary companies and affiliated companies, and investments in capital of non-consolidated Subsidiary companies and affiliated companies must be set down in the notes, respectively.
- (3) In the notes set forth in the preceding paragraph, the amount of investments in jointly controlled enterprises must be set down as a constituent item of shares, etc. of affiliated companies.
- (4) The provisions of Article 23, paragraph (2) apply mutatis mutandis to the cases set forth in paragraph (1).
- (5) The provisions of Article 23, paragraph (3) apply mutatis mutandis to the assets set forth in paragraph (1), item (v).

Article 30-2 The provisions of Article 32-3 of the Regulation on Financial Statements apply mutatis mutandis to deferred tax assets pertaining to revaluation prescribed in Article 7, paragraph (1) of the Act on Revaluation of Land (Act No. 34 of 1998; hereinafter referred to as the "Land Revaluation Act").

(Presentation of Allowances Pertaining to Investments and Other Assets)

Article 31 The provisions of Article 20 (excluding paragraph (3)) of the Regulation on Financial Statements as applied mutatis mutandis pursuant to Article 34 of that Regulation apply mutatis mutandis to allowances pertaining to assets categorized as investments and other assets.

(Separate Presentation of Deferred Assets)

Article 32 (1) Assets categorized as deferred assets must be set down under account titles having names that indicate those assets, in accordance with the following classification of items; provided, however, that assets categorized under any of those items of which the amount is not more than one percent of the total amount of assets and which are found appropriate to be presented collectively with assets categorized under another item, may be set down

collectively under an account title having an appropriate name:

- (i) deferred organization expenses;
- (ii) business commencement expenses;
- (iii) stock issuance expenses;
- (iv) corporate bond issuance expenses; and
- (v) development expenses.

(2) The provisions of Article 23, paragraph (2) apply mutatis mutandis to the cases set forth in the preceding paragraph.

Article 33 The provisions of Article 38 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated amortization for deferred assets.

Article 34 Deleted.

(Notes on Revaluation of Land for Business Use)

Article 34-2 The provisions of Article 42 (excluding paragraph (3)) of the Regulation on Financial Statements apply mutatis mutandis to notes on the revaluation of land for business use under the Land Revaluation Act.

(Notes on Collateral Assets)

Article 34-3 The provisions of Article 43 of the Regulation on Financial Statements apply mutatis mutandis to assets that have been provided as collateral.

Section 3 Liabilities

(Classification of Liabilities)

Article 35 Liabilities must be entered after being classified into current liabilities and fixed liabilities.

(Scopes of Respective Classes of Liabilities)

Article 36 The provisions of Articles 47 to 48-4 and 51 to 51-5 of the Regulation on Financial Statements apply mutatis mutandis to the scopes of current liabilities and fixed liabilities.

Article 36-2 The net defined benefit liability is categorized as fixed liabilities.

(Separate Presentation of Current Liabilities)

Article 37 (1) Liabilities categorized as current liabilities must be set down under account titles having names that indicate those liabilities, in accordance

with the following classification of items; provided, however, that liabilities categorized under an item other than that set forth in item (vi) of which the amount is not more than one percent of the combined total of liabilities and net assets and which are found appropriate to be presented collectively with liabilities categorized under another item, may be set down collectively under an account title having an appropriate name:

- (i) negotiable instruments payable and accounts payable;
- (ii) short-term borrowings (including finance negotiable instruments and overdrafts);
- (iii) lease obligations;
- (iv) accrued corporation tax, etc.;
- (v) deferred tax liabilities;
- (vi) allowances;
- (vii) asset retirement obligations; and
- (viii) others.

(2) Where liabilities categorized under any of the items set forth in the items of the preceding paragraph are found appropriate to be presented separately, the provisions of that paragraph do not preclude those liabilities from being set down separately under an account title with a name that indicates those liabilities.

(3) The accrued corporation tax, etc. set forth in paragraph (1), item (iv) means accrued amounts of corporation tax, Inhabitants Tax (meaning prefectural inhabitants tax and municipal inhabitants tax; the same applies hereinafter), and enterprise tax.

(4) The allowances set forth in paragraph (1), item (vi) must be set down under an account title having a name that indicates the purpose of establishment of that allowance; provided, however, that those allowances of which the amount is small and which are found appropriate to be presented collectively with liabilities categorized under another item may be set down collectively under an account title having an appropriate name.

(5) Among the liabilities categorized under the item set forth in paragraph (1), item (viii), any liabilities of which the amount exceeds five percent of the combined total of liabilities and net assets must be set down under an account title having a name that indicates those liabilities.

(Separate Presentation of Fixed Liabilities)

Article 38 (1) Liabilities categorized as fixed liabilities must be set down under account titles having names that indicate those liabilities, in accordance with the following classification of items; provided, however, that liabilities categorized under an item other than that set forth in items (v) and (vi) of which the amount is not more than one percent of the combined total of

liabilities and net assets and which are found appropriate to be presented collectively with liabilities categorized under another item, may be set down collectively under an account title having an appropriate name:

- (i) corporate bonds;
 - (ii) long-term borrowings (including finance negotiable instruments; the same applies hereinafter);
 - (iii) lease obligations;
 - (iv) deferred tax liabilities;
 - (v) allowances;
 - (vi) net defined benefit liability;
 - (vii) asset retirement obligations; and
 - (viii) others.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the cases set forth in the preceding paragraph.
- (3) The provisions of paragraph (4) of the preceding Article apply mutatis mutandis to the allowances set forth in paragraph (1), item (v).
- (4) The provisions of paragraph (5) of the preceding Article apply mutatis mutandis to liabilities categorized under the item set forth in paragraph (1), item (viii).

Article 39 The provisions of Article 52-2 of the Regulation on Financial Statements apply mutatis mutandis to deferred tax liabilities pertaining to revaluation prescribed in Article 7, paragraph (1) of the Land Revaluation Act.

(Notes on Contingent Liabilities)

Article 39-2 If there are contingent liabilities (meaning guarantee of debts (including acts that have the same effect as guarantee of debts), obligations for compensation pertaining to contentious cases, and other liabilities that have not arisen in reality but may be borne by the business in the future) pertaining to any consolidated company, the contents and amounts thereof must be set down in the notes; provided, however, that notes may be omitted for immaterial matters.

(Presentation of Inventory Assets and Reserve for Loss on Construction Contracts)

Article 40 The provisions of Article 54-4 (excluding paragraph (4)) of the Regulation on Financial Statements apply mutatis mutandis to presentation of inventory assets and reserve for loss on construction contracts.

(Notes on Specified Accounts Pertaining to Business Combination)

Article 41 The provisions of Article 56, paragraph (1) of the Regulation on

Financial Statements apply mutatis mutandis to specified accounts pertaining to a business combination.

(Separate Presentation of Liabilities of Special Purpose Company)

- Article 41-2 (1) Non-recourse debts (meaning debts of which the repayment sources consist only of all or part of the assets of a special purpose company (meaning the special purpose company prescribed in Article 8, paragraph (7) of the Regulation on Financial Statements) and revenues arising from those assets, and for which the creditor is not allowed to pursue any assets other than those assets nor any revenues other than those revenues; the same applies in this Article) held by the special purpose company which is included in the scope of consolidation must be set down in current liabilities or fixed liabilities under an account title having a name that indicates the non-recourse debts for each of the items of corporate bonds, borrowings, or other liabilities; provided, however, that this does not preclude non-recourse debts from being included under an account title that indicates corporate bonds, borrowings, or other liabilities (excluding an account title having a name that indicates non-recourse debts).
- (2) In cases of setting down non-recourse debts pursuant to the provisions of the proviso to the preceding paragraph, the amount of the non-recourse debts must be set down in the notes for each of the account titles that indicate corporate bonds, borrowings, or other liabilities.
- (3) With regard to assets corresponding to non-recourse debts, the account titles of those assets and the amounts thereof must be set down in the notes.

Section 4 Net Assets

(Classification of Net Assets)

Article 42 Net assets must be entered after being classified into shareholders' equity, accumulated other comprehensive income, share options, and non-controlling interests.

(Classification and Separate Presentation of Shareholders' Equity)

- Article 43 (1) Shareholders' equity must be classified into stated capital, capital surplus, and retained earnings, and must be set down under the account titles of stated capital, capital surplus, and retained earnings respectively.
- (2) The provisions of Article 62, Article 63, paragraph (2), and Article 65, paragraph (2) of the Regulation on Financial Statements apply mutatis mutandis to a deposit for subscriptions to shares and to any reserve specified by law that is equivalent to capital reserve or retained earnings reserve.
- (3) Treasury shares must be set down as a deduction corresponding to

shareholders' equity, under the account title of treasury shares immediately after retained earnings.

- (4) Notwithstanding the provisions of paragraph (1), a deposit for subscriptions as after the application date, pertaining to disposal of treasury shares, must be set down under the account title of a deposit for subscriptions to treasury shares, immediately after treasury shares.

(Classification and Separate Presentation of Accumulated Other Comprehensive Income)

Article 43-2 (1) Accumulated other comprehensive income must be set down in accordance with the following classification of items, under account titles having names that indicate those items:

- (i) the valuation difference on other securities (meaning the valuation differences on other securities reported in the net assets section; the same applies in Article 69-5, paragraph (1), item (i));
 - (ii) the deferred gain or loss on hedges (meaning gains or losses or market value valuation differences on hedging instruments that are deferred until the gains or losses on hedged items is recognized; the same applies in Article 69-5, paragraph (1), item (ii));
 - (iii) the Land Revaluation Difference (meaning the land revaluation difference prescribed in Article 7, paragraph (2) of the Land Revaluation Act);
 - (iv) foreign currency translation adjustments (meaning the translation difference that results from the difference between the exchange rate used for translating the assets and liabilities of any subsidiary company or affiliated company in a foreign state and the exchange rate used for translating the net assets of that company; the same applies in Article 69-5, paragraph (1), item (iii)); and
 - (v) the Accumulated Remeasurements of Defined Benefit Plans.
- (2) In addition to the items set forth in the preceding paragraph, any items that are found appropriate to be reported as an item of accumulated other comprehensive income may be set down under an account title having a name that indicates those items.

(Presentation of Share Options)

Article 43-3 (1) Share options must be set down under the account title of share options.

- (2) Share options issued by the company submitting consolidated financial statements held by the company submitting consolidated financial statements itself and share options issued by any consolidated subsidiary company held by the consolidated subsidiary company itself must be deducted from share options; provided, however, that this does not preclude the share options from

being set down under the account title of own share options, immediately after share options, as a deduction corresponding to share options.

(Presentation of Non-Controlling Interests)

Article 43-4 Non-controlling interests must be set down under the account title of non-controlling interests.

(Notes on Reserve Funds under Contracts)

Article 44 If the amount of retained earnings prescribed in Article 43 (1) include a reserve for bond sinking fund or any other reserve funds accumulated for a specific purpose under a contract, etc. with a creditor, the contents and amounts thereof must be set down in the notes.

(Notes on Per Share Amount of Net Assets)

Article 44-2 (1) The per share amount of net assets must be set down in the notes.

(2) The provisions of Article 68-4, paragraph (2) of the Regulation on Financial Statements apply mutatis mutandis to the case where any consolidation of shares or share split has been carried out during the current consolidated fiscal year or after the consolidated balance sheet date. In this case, the term "business year" in item (ii) of that paragraph is deemed to be replaced with "consolidated fiscal year".

Section 5 Miscellaneous Provisions

(Presentation of Deferred Tax Assets or Deferred Tax Liabilities)

Article 45 (1) If there are the deferred tax assets set forth in Article 23, paragraph (1), item (viii) and the deferred tax liabilities set forth in Article 37, paragraph (1), item (v), the difference between them, excluding those pertaining to different taxable entities, must be presented as deferred tax assets or deferred tax liabilities under current assets or under current liabilities.

(2) If there are the deferred tax assets set forth in Article 30, paragraph (1), item (iii) and the deferred tax liabilities set forth in Article 38, paragraph (1), item (iv), the difference between them, excluding those pertaining to different taxable entities, must be presented as deferred tax assets or deferred tax liabilities under investments and other assets or under fixed liabilities.

(Reserves under Special Laws)

Article 45-2 (1) Reserves or allowances that must be reported under the name of reserves or allowances pursuant to the provisions of laws and regulations and

that are inappropriate to be reported in the assets section or the liabilities section (hereinafter referred to as "reserves, etc.") must be entered under a separate class that has been added immediately after fixed liabilities, notwithstanding the provisions of Articles 20 and 35.

- (2) reserves, etc. must be set down under an account title having a name that indicates the purpose of establishment of the reserves, etc., and the provisions of laws or regulations that provide for the reporting thereof must be set down in the notes.
- (3) With regard to reserves, etc., the distinction of whether or not they are recognized to be used within one year must be set down in the notes; provided, however, that this does not apply if it is difficult to make the distinction.

(Classification of Assets and Liabilities of Listed Business)

Article 46 If the main business of a business group is a business set forth in the appended list of the Regulation on Financial Statements (hereinafter referred to as a "listed business"), and it is found inappropriate to enter its assets and liabilities by the classification under Articles 21 and 35, notwithstanding these provisions, the assets and liabilities may be entered by equivalent classification as that specified by a Law, Regulations, or Rules (meaning the law, regulations, or Rules prescribed in Article 2 of the Regulation on Financial Statements; the same applies hereinafter) applicable to the financial statements of the companies engaged in the listed business. In this case, the governing Law, Regulations or Rules must be set down in the notes.

(Entry of Net Assets of Designated Corporations)

Article 46-2 If a designated corporation prepares a consolidated balance sheet, and it is found inappropriate to enter its net assets pursuant to this Regulation, the designated corporation may enter its net assets in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to its financial statements. In this case, the governing Law, Regulations, or Rules must be entered.

(Entry of Account Titles for Assets and Liabilities of Listed Business)

Article 47 (1) If the businesses conducted by any consolidated company include a listed business, and it is found inappropriate to enter the account titles for assets and liabilities of the listed business according to the classification of the items prescribed in Article 23, paragraph (1), Article 26, paragraph (1), Article 28, paragraph (1), Article 30, paragraph (1), Article 37, paragraph (1), and Article 38, paragraph (1), notwithstanding these provisions, those account titles may be entered in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to the financial statements of the company

engaged in the listed business.

- (2) In the cases set forth in the preceding paragraph, the standards for setting down the account titles of assets and liabilities collectively or separately are equivalent to those provided under this Regulation.

Chapter III Consolidated Profit and Loss Statement

Section 1 General Provisions

(Methods of Entry in Consolidated Profit and Loss Statement)

Article 48 (1) The methods of entry in a consolidated profit and loss statement are in accordance with the provisions of this Chapter.

- (2) Entries in a consolidated profit and loss statement are to be made in accordance with Form No. 5.

(Classification of Revenues and Expenses)

Article 49 Revenues and expenses must be entered after being classified into account titles having names that indicate the following items:

- (i) net sales;
- (ii) cost of sales (including service costs; the same applies hereinafter);
- (iii) selling expenses and general and administrative expenses;
- (iv) non-operating revenues;
- (v) non-operating expenses;
- (vi) extraordinary profit; and
- (vii) extraordinary loss.

(Entry of Net Sales by Business)

Article 50 If consolidated companies engage in two or more different types of businesses, the entries of revenues and expenses set forth in items (i) to (iii) of the preceding Article may be made by categorization under type of business.

Section 2 Net Sales and Cost of Sales

(Presentation Methods for Net Sales)

Article 51 Net sales must be set down under an account title having a name that indicates net sales.

(Presentation Methods for Valuation Difference of Inventory Assets)

Article 51-2 Entry of the valuation difference of inventory assets held for the purpose of gaining profits through fluctuations in market prices must be included under the account title having a name that indicates net sales; provided, however, that if the amount is not material, the amount may be

included in non-operating revenues or non-operating expenses.

(Presentation Methods for Cost of Sales)

Article 52 The cost of sales must be set down under an account title having a name that indicates the cost of sales.

(Notes on Provision of Reserve for Loss on Construction Contracts)

Article 52-2 The provisions of Article 76-2, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to provision of reserve for loss on construction contracts.

(Entry of Write-Down of Book Value of Inventory Assets)

Article 53 (1) In the case of having written-down the book value of inventory assets held for the purpose of ordinary sales due to a decline in profitability, the written-down amount (in cases of returning, in the current consolidated fiscal year, the written-down amount that had been reported at the end of the previous consolidated fiscal year, the amount obtained by offsetting the returned amount against the written-down amount reported at the end of the current consolidated fiscal year) must be set down separately under an account title having a name that indicates the contents thereof, as a constituent item of the cost of sales or of any other item; provided, however, that this does not preclude the ending inventory of the inventory assets from being reported as the amount after the write-down of the book value, and a statement to that effect and the written-down amount from being set down in the notes.

(2) Notwithstanding the provisions of the preceding paragraph, if the written-down amount is not material, the amount may be omitted from being set down separately or in the notes.

(Presentation of Gross Profit or Loss on Sales)

Article 54 The amount of difference between net sales and the cost of sales must be entered as the gross profit on sales or the gross loss on sales.

Section 3 Selling Expenses and General and Administrative Expenses

(Presentation Methods for Selling Expenses and General and Administrative Expenses)

Article 55 (1) Selling expenses and general and administrative expenses must be classified into expense items that are found to be appropriate, and be set down under account titles having names that indicate those expenses; provided, however, that this does not preclude those expenses from being set down under the account title of selling expenses, the account title of general and

administrative expenses, or the account title of selling expenses and general and administrative expenses collectively, and the major expense items and amounts thereof from being set down in the notes.

- (2) The major expense items prescribed in the proviso to the preceding paragraph mean retirement benefit expenses and provision of allowance (excluding the expense items of which the amount is small) and any other expense items of which the amount exceeds ten percent of the combined total of selling expenses and general and administrative expenses.

(Notes on Research and Development Expenses)

Article 55-2 With regard to the research and development expenses included in the general and administrative expenses and in the manufacturing expenses for the period, the total amount thereof must be set down in the notes.

(Presentation of Amount of Operating Profit and Loss)

Article 56 The amount obtained by adjusting the gross profit on sales or the gross loss on sales by adding or subtracting the total amount of selling expenses and general and administrative expenses must be entered as the amount of operating income or the amount of operating loss.

Section 4 Non-Operating Revenues and Non-Operating Expenses

(Presentation Methods for Non-Operating Revenues)

Article 57 Revenues categorized as non-operating revenues must be set down under account titles having names that indicate those revenues, in accordance with the classification of interest income (including interest on securities), dividends income, gain on sales of securities, investment return under the equity method, and others; provided, however, that any revenues of which the amounts are not more than ten percent of the total amount of non-operating revenues, which are found appropriate to be presented collectively, may be set down under an account title having a name that collectively indicates those revenues.

(Presentation Methods for Non-Operating Expenses)

Article 58 Expenses categorized as non-operating expenses must be set down under account titles having names that indicate those expenses, in accordance with the classification of interest expenses (including interest on corporate bonds), loss on sales of securities, investment loss under the equity method, and others; provided, however, that any expenses of which the amounts are not more than ten percent of the total amount of non-operating expenses, which are found appropriate to be presented collectively, may be set down under an

account title having a name that collectively indicates those expenses.

Article 59 Deleted.

Article 60 Deleted.

(Presentation of Amount of Ordinary Income and Loss)

Article 61 The amount obtained by adjusting the amount of operating income or the amount of operating loss by adding or subtracting the total amount of non-operating revenues or the total amount of non-operating expenses must be entered as the amount of ordinary income or the amount of ordinary loss.

Section 5 Extraordinary Profit and Extraordinary Loss

(Presentation Methods for Extraordinary Profit)

Article 62 Profits categorized as extraordinary profit must be set down under account titles having names that indicate those profits, in accordance with the classification of gain on sales of fixed assets, gain from negative goodwill and others; provided, however, that any profits of which the amounts are not more than ten percent of the total amount of extraordinary profit, which are found appropriate to be presented collectively, may be set down under an account title having a name that collectively indicates those profits.

(Presentation Methods for Extraordinary Loss)

Article 63 Losses categorized as extraordinary loss must be set down under account titles having names that indicate those losses, in accordance with the classification of loss on sales of fixed assets, impairment loss, loss on disaster, and others; provided, however, that any losses of which the amounts are not more than ten percent of the total amount of extraordinary loss, which are found appropriate to be presented collectively, may be set down under an account title having a name that collectively indicates those losses.

(Notes on Impairment Loss)

Article 63-2 The provisions of Article 95-3-2, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to assets or asset groups (meaning the asset groups defined in that Article) for which impairment loss has been recognized.

(Notes on Gain on Reversal of Specified Accounts Pertaining to Business Combination)

Article 63-3 The provisions of Article 95-3-3, paragraph (1) of the Regulation on

Financial Statements apply mutatis mutandis pursuant to gain on reversal of specified accounts pertaining to business combination.

(Presentation of Net Income or Net Loss for the Period Before Taxes)

Article 64 The amount obtained by adjusting the amount of ordinary income or the amount of ordinary loss by adding or subtracting the total amount of extraordinary profit or the total amount of extraordinary loss must be entered as the amount of net income for the period before taxes or the amount of net loss for the period before taxes.

Section 6 Net Income for the Period or Net Loss for the Period

(Net Income for the Period or Net Loss for the Period)

Article 65 (1) The amounts of the following items must be entered under account titles having names that indicate the contents thereof, immediately after the amount of net income for the period before taxes or the amount of net loss for the period before taxes:

- (i) the corporation tax, inhabitants tax, and enterprise tax (meaning the enterprise tax imposed on amounts related to profits as the tax base; the same applies in the following item) pertaining to the relevant consolidated fiscal year; and
 - (ii) the deferred corporation tax, etc. (meaning adjustments on the corporation tax, inhabitants tax, and enterprise tax set forth in the preceding item, which are reported through application of tax effect accounting).
- (2) The amount obtained by adjusting the amount of net income for the period before taxes or the amount of net loss for the period before taxes by adding or subtracting the amounts of the items set forth in the respective items of the preceding paragraph must be entered as the amount of net income for the period or the amount of net loss for the period.
- (3) The amount that represents non-controlling interests in the amount of net income for the period or the amount of net loss for the period must be entered, under an account title having a name that indicates the contents thereof, immediately after the amount of net income for the period or the amount of net loss for the period.
- (4) The amount obtained by adjusting the amount of net income for the period or the amount of net loss for the period by adding or subtracting the amount that represents non-controlling interests in the amount of net income for the period or the amount of net loss for the period must be entered as the amount of net income for the period attributable to owners of a parent or the amount of net loss for the period attributable to owners of a parent.
- (5) If there are taxes paid or taxed refunded due to correction, determination, etc.

of corporation tax, etc., their amounts are to be entered under an account title having a name that indicates the contents thereof, immediately after the item set forth in paragraph (1), item (i); provided, however, that those amounts may be presented by including them in the amount of the item set forth in paragraph (1), item (i) if those amounts are not material.

(Notes on Per Share Amount of Net Income or Net Loss for the Period)

Article 65-2 (1) The per share amount of net income for the period or per share amount of net loss for the period, and the basis for calculation thereof must be set down in the notes.

(2) The provisions of Article 95-5-2, paragraph (2) of the Regulation on Financial Statements apply mutatis mutandis to cases where any consolidation of shares or share split has been carried out during the current consolidated fiscal year or after the consolidated balance sheet date. In this case, the term "business year" in item (ii) of that paragraph is deemed to be replaced with "consolidated fiscal year".

(Notes on Diluted Per Share Amount of Net Income for the Period)

Article 65-3 The provisions of Article 95-5-3 of the Regulation on Financial Statements (excluding paragraph (4)) apply mutatis mutandis to the diluted per share amount of net income for the period. In this case, the term "business year" in paragraph (2), item (ii) of that Article is deemed to be replaced with "consolidated fiscal year".

Section 7 Miscellaneous Provisions

(Separate Presentation of Provision of Allowance)

Article 66 (1) A provision of allowance must be set down separately under an account title having a name that indicates the purpose of establishment thereof and the fact that it is a provision of allowance; provided, however, that in the cases under Article 52-2 and the proviso to paragraph (1) of Article 55, the contents and the amount thereof may be set down in the notes in lieu of setting down the amount separately.

(2) In cases under the main clause of the preceding paragraph, the provision of allowance of which the amount is small and which are found appropriate to be presented collectively with another account title may be set down collectively under an account title having an appropriate name.

(Presentation of Investment Return under Equity Method)

Article 66-2 If investment return and investment loss under the equity method arise, the amount obtained by offsetting one against the other may be

presented.

(Provision or Reversal of Reserves under Special Laws)

Article 67 If there has been a provision or reversal of a reserve, etc., the amount of the provision or reversal must be set down as an extraordinary loss or extraordinary profit under an account title having a name that indicates that the amount results from the provision or reversal.

(Classification of Revenues and Expenses of Listed Business)

Article 68 If the main business of a business group is a listed business, and it is found inappropriate to enter its revenues and expenses by classifying them into the items prescribed in Article 49, notwithstanding the provisions of that Article, those revenues and expenses may be entered in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to the financial statements of the companies engaged in the listed business. In this case, the governing Law, Regulations or Rules must be set down in the notes.

(Entry of Account Titles for Revenues and Expenses of Listed Business)

Article 69 (1) If the businesses conducted by any consolidated company include a listed business, and it is found inappropriate to enter the account titles for revenues and expenses of the listed business according to the provisions of Article 51, Article 52, Article 55, Article 57, and Article 58, notwithstanding these provisions, those account titles may be entered in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to the financial statements of the company engaged in the listed business.

(2) In the cases set forth in the preceding paragraph, the standards for setting down the account titles of revenues and expenses collectively or separately are equivalent to those provided under this Regulation.

Chapter III-2 Consolidated Statement of Comprehensive Income

Section 1 General Provisions

(Methods of Entry in Consolidated Statements of Comprehensive Income)

Article 69-2 (1) The methods of entry in a consolidated statement of comprehensive income are in accordance with the provisions of this Chapter.

(2) Entries in a consolidated statement of comprehensive income are to be made in accordance with using Form No. 5-2.

(Consolidated Profit and Loss and Comprehensive Income Statement)

Article 69-3 If a consolidated profit and loss and comprehensive income statement (meaning an entry under this Chapter made at the end of a

consolidated profit and loss statement) is prepared, a consolidated statement of comprehensive income is not required to be entered.

(Separate Presentation of Consolidated Statement of Comprehensive Income)

Article 69-4 A consolidated statement of comprehensive income must be entered by classification under net income for the period or net loss for the period, other comprehensive income, and comprehensive income.

Section 2 Other Comprehensive Income

(Separate Presentation of Other Comprehensive Income)

Article 69-5 (1) Other comprehensive income must be set down under account titles having names that indicate the following items, in accordance with the following classification of items:

- (i) the valuation difference on other securities;
- (ii) the deferred gain or loss on hedges;
- (iii) the foreign currency translation adjustments; and
- (iv) the remeasurements of defined benefit plans.

(2) In addition to the items set forth in the preceding paragraph, any items that are found appropriate to be reported as an item of other comprehensive income may be set down under an account title having a name that indicates those items.

(3) Notwithstanding the provisions of paragraph (1), the shares held by the company submitting consolidated financial statements in the amounts of the items of other comprehensive income of non-consolidated subsidiary companies and affiliated companies to which the equity method is applied must be set down collectively under an account title indicating the name of those items.

(4) The amounts of the items of other comprehensive income are to be entered as the amounts after deducting the amount of tax effect; provided, however, that this does not preclude the entry of the amounts obtained by adjusting the amounts of the items of other comprehensive income before deducting the amount of tax effect, by collectively adding or subtracting the amount of tax effect.

(Notes on Other Comprehensive Income)

Article 69-6 (1) The amount of tax effect prescribed in paragraph (4) of the preceding Article must be set down in the notes for each item of other comprehensive income.

(2) The amount of any item constituting the amount of net income for the period or the amount of net loss for the period that had been included in the item of other comprehensive income in the current consolidated fiscal year or any prior

fiscal year must be set down in the notes for each item of other comprehensive income as the amount of reclassification adjustment.

- (3) The matters prescribed in the preceding two paragraphs may be collectively entered.

Section 3 Comprehensive Income

(Comprehensive Income)

Article 69-7 (1) The amounts obtained by adjusting the amount of net income for the period or the amount of net loss for the period by adding or subtracting the amounts of the items of other comprehensive income must be entered as the amounts of comprehensive income.

- (2) The amounts of comprehensive income prescribed in the preceding paragraph must be categorized into the amount pertaining to shareholders of company submitting consolidated financial statements and the amount pertaining to non-controlling shareholders, and the amount for each of those categories must be entered at the end of the consolidated statement of comprehensive income.

Chapter IV Consolidated Statement of Changes in Net Assets

Section 1 General Provisions

(Methods of Entry in Consolidated Statement of Changes in Net Assets)

Article 70 (1) The methods of entry in a consolidated statement of changes in net assets are in accordance with the provisions of this Chapter.

- (2) Entries in a consolidated statement of changes in net assets are to be made in accordance with Form No. 6.

(Separate Presentation of Consolidated Statement of Changes in Net Assets)

Article 71 (1) A consolidated statement of changes in net assets must be entered by classification under shareholders' equity, other comprehensive income, share options, and non-controlling interests.

- (2) A consolidated statement of changes in net assets must be classified into appropriate items, and must be set down under account titles having names that indicate those items. Those items and account titles must be consistent with the items and account titles in the net asset section of the consolidated balance sheet at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year.

Section 2 Shareholders' Equity

Article 72 (1) Shareholders' equity must be entered after being classified into the

balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year.

- (2) The amount of changes during the current consolidated fiscal year for the account titles entered under shareholders' equity must be entered for each cause of the changes.
- (3) dividends of surplus must be presented as a cause of changes in capital surpluses or retained earnings.
- (4) The amount of net income for the period attributable to owners of a parent or the amount of net loss for the period attributable to owners of a parent must be presented as a cause of changes in retained earnings.

Section 3 Accumulated Other Comprehensive Income

Article 73 (1) Accumulated other comprehensive income must be entered after being classified into the balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year.

- (2) With regard to the account titles entered under accumulated other comprehensive income, the amount of changes during the current consolidated fiscal year is to be entered collectively; provided, however, that this does not preclude that amount from being entered or set down in the notes for each major cause of the changes.

Article 74 Notwithstanding the provisions of Article 71, paragraph (2), if the accumulated other comprehensive income is entered, in lieu of being entered for each account title, the total amount of the accumulated other comprehensive income may be entered after being categorized into the balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year. In this case, the respective amounts for each account title are to be set down in the notes.

Section 4 Share Options

Article 75 (1) Share options must be entered after being classified into the balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year.

- (2) The amount of changes during the current consolidated fiscal year for share options is to be entered collectively; provided, however, that this does not

preclude that amount from being entered or set down in the notes for each major cause of the changes.

Section 5 Non-Controlling Interests

Article 76 (1) Non-controlling interests must be entered after being classified into the balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year.

(2) The amount of changes during the current consolidated fiscal year for non-controlling Interests is to be entered collectively; provided, however, that this does not preclude that amount from being entered or set down in the notes for each major cause of the changes.

Section 6 Matters to Be Set Down in Notes

(Notes on Issued Shares)

Article 77 With regard to the classes and the total number of issued shares, the following matters must be set down in the notes:

- (i) the total number of issued shares at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year, and the number of issued shares that increased or decreased during the current consolidated fiscal year, for each class of issued shares; and
- (ii) an outline of the cause of the changes for each class of issued shares.

(Notes on Treasury Shares)

Article 78 With regard to the classes and the total number of treasury shares, the following matters must be set down in the notes:

- (i) the total number of treasury shares at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year, and the number of treasury shares that increased or decreased during the current consolidated fiscal year, for each class of treasury shares; and
- (ii) an outline of the cause of the changes for each class of treasury shares.

(Notes on Share Options)

Article 79 (1) With regard to share options, the following matters must be set down in the notes:

- (i) the classes of shares subject to the share options;
 - (ii) the total number of shares subject to share options; and
 - (iii) the balance of share options at the end of the consolidated fiscal year.
- (2) In cases where share options have been granted as stock options or options on

the company's own shares, the matters set forth in items (i) and (ii) of the preceding paragraph are not required to be entered.

- (3) When the number of shares set forth in paragraph (1), item (ii) is entered, the number of shares subject to the share options at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year, the number of shares that increased or decreased during the current consolidated fiscal year, and the outline of the cause for changes must be entered for each class of shares subject to the share option; provided, however, that the notes may be omitted if the number of shares that will increase when assuming that the share options are exercised constitutes an immaterial proportion of the total number of issued shares (when holding Treasury Shares, the number of shares after deducting the number of the Treasury Shares) at the end of the Consolidated Fiscal Year.
- (4) The balance of share options at the end of the consolidated fiscal year set forth in paragraph (1), item (iii) must be entered after being classified into that of share options of the company submitting consolidated financial statements and that of share options of consolidated subsidiary companies.
- (5) With regard to own share options, the following matters must be set down in the notes in order to clarify the corresponding share options:
 - (i) with regard to share options issued by the company submitting consolidated financial statements held by the company submitting consolidated financial statements itself, the matters set forth in the items of paragraph (1); and
 - (ii) with regard to share options issued by any consolidated subsidiary company held by the consolidated subsidiary company itself, the matters set forth in paragraph (1), item (iii).

(Notes on Dividends)

Article 80 The provisions of Article 109, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to dividends. In this case, the term "business year" in item (iii) of that paragraph is deemed to be replaced with "consolidated fiscal year".

Section 7 Miscellaneous Provisions

Article 81 If a designated corporation prepares a consolidated statement of changes in net assets, and it is found inappropriate to enter matters pursuant to this Regulation, the designated corporation may enter matters in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to its Financial Statements.

Chapter V Consolidated Cash Flow Statement

Section 1 General Provisions

(Methods of Entry in Consolidated Cash Flow Statement)

Article 82 (1) The methods of entry in a consolidated cash flow statement are in accordance with the provisions of this Chapter.

(2) Entries in a consolidated cash flow statement are to be made in accordance with Form No. 7 or Form No. 8.

(Classification for Presenting Consolidated Cash Flow Statement)

Article 83 In a consolidated cash flow statement, Cash Flow conditions must be entered for the following classes:

- (i) cash flows from operating activities;
- (ii) cash flows from investment activities;
- (iii) cash flows from financing activities;
- (iv) translation adjustments on cash and cash equivalents;
- (v) increase or decrease in cash and cash equivalents;
- (vi) the beginning balances of cash and cash equivalents; and
- (vii) the ending balances of cash and cash equivalents.

Section 2 Methods of Entry in Consolidated Cash Flow Statement

(Presentation Methods for Cash Flows from Operating Activities)

Article 84 In the class of cash flows from operating activities set forth in item (i) of the preceding Article, the cash flows pertaining to transactions that were made subject to calculation of operating income or operating loss and cash flows pertaining to transactions other than investment activities and financing activities must be set down under account titles having names that indicate the contents thereof, by either of the following methods; provided, however, that the cash flows of which the amount is small and which are found appropriate to be presented collectively may be set down collectively under an account title having an appropriate name:

- (i) the method of classifying the cash flows into operating income, payment for purchases of raw materials or merchandise, payment of personnel expenses, and other items that are found appropriate, and presenting the total amount of cash flows for each major transaction; or
- (ii) the method of presenting the amount obtained by adding or subtracting the following items to or from the amount of net income for the period before taxes or the amount of net loss for the period before taxes:
 - (a) any items reported as revenues or expenses on a consolidated profit and loss statement that do not involve any increase or decrease of funds;
 - (b) the amount of increase or decrease in notes and accounts receivable,

- inventory assets, notes and accounts payable, or any other assets or liabilities that have arisen from operating activities; and
- (c) any items reported as revenues or expenses on a consolidated profit and loss statement that are included in the classes of cash flows from investment activities and cash flows from financing activities.

(Presentation Methods for Cash Flows from Investment Activities)

Article 85 In the class of cash flows from investment activities set forth in Article 83, item (ii), payment for acquisition of securities (excluding cash equivalents, etc.; hereinafter the same applies in this Article), proceeds from sales of securities, payment for acquisition of tangible fixed assets, proceeds from sales of tangible fixed assets, payment for acquisition of investment securities, proceeds from sales of investment securities, payments of loans, proceeds from collection of loans, and any other cash flows pertaining to investment activities must be set down under account titles having names that indicate the contents thereof, by presenting the total amount of cash flows for each major transaction; provided, however, that the cash flows of which the amount is small and which are found appropriate to be presented collectively may be set down collectively under an account title having an appropriate name.

(Presentation Methods for Cash Flows from Financing Activities)

Article 86 In the class of cash flows from financing activities set forth in Article 83, item (iii), proceeds from short-term borrowings, payment for repayment of short-term borrowings, proceeds from long-term borrowings, payment for repayment of long-term borrowings, proceeds from issuance of corporate bonds, payment for redemption of corporate bonds, proceeds from issuance of shares, payment for acquisition of treasury shares, and any other cash flows pertaining to financing activities must be set down under account titles having names that indicate the contents thereof, by presenting the total amount of cash flows for each major transaction; provided, however, that the cash flows of which the amount is small and which are found appropriate to be presented collectively may be set down collectively under an account title having an appropriate name.

(Entry of Translation Adjustments Pertaining to Cash and Cash Equivalents)

Article 87 (1) In the class of translation adjustments pertaining to cash and cash equivalents set forth in Article 83, item (iv), the difference that occurs from translation of foreign currency dominated funds into yen currency is to be entered.

(2) In the class of increase or decrease in cash and cash equivalents set forth in

Article 83, item (v), the amount obtained by adding or subtracting the difference that occurs from translation of foreign currency dominated funds into yen currency prescribed in the preceding paragraph to or from the combined total of the balance of income and expenditures of cash flows from operating activities, cash flows from investment activities, and cash flows from financing activities is to be entered.

Section 3 Miscellaneous Provisions

(Presentation Methods for Cash Flows Pertaining to Interests and Dividends)

Article 88 (1) Cash flows pertaining to interests and dividends are to be entered in either of the following ways:

- (i) by entering the amount of interests and dividends received and the amount of interests paid under the class of cash flows from operating activities set forth in Article 83, item (i) and entering the amount of dividends paid under the class of cash flows from financing activities set forth in item (iii) of that Article; or
 - (ii) by entering the amount of interests and dividends received under the class of cash flows from investment activities set forth in Article 83, item (ii) and entering the amount of interests and dividends paid under the class of cash flows from financing activities set forth in item (iii) of that Article.
- (2) The amount of dividends paid must be entered after being classified into the amount of dividends paid by the company submitting consolidated financial statements and the amount of dividends paid to non-controlling shareholders.

(Presentation Methods for Cash Flows Pertaining to Acquisition or Sales of Subsidiary Company Shares Involving Changes in the Scope of Consolidation)

Article 89 (1) Cash flows pertaining to acquisition or sales of subsidiary company shares involving a change in the scope of consolidation must be set down under an account title having a name that indicates the contents thereof under the class of cash flows from investment activities set forth in Article 83, item (ii).

- (2) The provisions of the preceding paragraph apply mutatis mutandis to cash flows pertaining to a takeover or transfer of a business or a merger, etc. carried out in consideration for cash or cash equivalents.

(Matters to Be Set Down in Notes in Consolidated Cash Flow Statement)

Article 90 (1) The following matters must be set down in the notes in a consolidated cash flow statement; provided, however, that the notes may be omitted for matters set forth in items (ii) to (iv) if the amount of assets or

liabilities prescribed respectively in those items is not material:

- (i) the relationship between the ending balances of cash and cash equivalents and the amounts for the account titles set down in a the consolidated balance sheet;
 - (ii) if any company has become a consolidated subsidiary company as a result of acquisition of shares, the major breakdown of assets and liabilities of the company;
 - (iii) if any company is no longer a consolidated subsidiary company as a result of sales of shares, the major breakdown of assets and liabilities of the company;
 - (iv) if there has been a takeover or transfer of a business or a merger, etc. carried out in consideration for cash or cash equivalents, the major breakdown of assets and liabilities that have increased or decreased as a result of the takeover or transfer of a business or the merger, etc.; and
 - (v) the contents of material non-cash transactions.
- (2) The non-cash transactions set forth in item (v) of the preceding paragraph means exercise of share options attached to corporate bonds with share options in exchange for redemption of the corporate bonds, acquisition of assets (excluding cash and cash equivalents) through issuance, etc. of shares, a merger, or any other transactions that do not involve any increase or decrease of funds, and that have material influence on cash flows in and/or after the following consolidated fiscal year.

Chapter VI Consolidated Supplementary Schedules

(Methods of Entry in Consolidated Supplementary Schedules)

Article 91 The methods of entry in consolidated supplementary schedules are in accordance with the provisions of this Chapter.

(Types of Supplementary Schedules)

Article 92 (1) The types of consolidated supplementary schedules are a schedule of corporate bonds, a schedule of borrowings, etc., and a schedule of asset retirement obligations.

(2) The forms for the schedule of corporate bonds, schedule of borrowings, etc., and schedule of asset retirement obligations prescribed in the preceding paragraph are in accordance with Form No. 9 through Form No. 11.

(Omission of Preparation of Consolidated Supplementary Schedules)

Article 92-2 (1) If the amount of asset retirement obligations at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year are not more than one percent of the combined total of liabilities

and net assets at the beginning of the current consolidated fiscal year and at the end of the consolidated fiscal year, the supplementary schedule of asset retirement obligations prescribed in paragraph (1) of the preceding Article may be omitted from being prepared.

- (2) In the case of having omitted preparation of a supplementary schedule of Asset retirement obligations pursuant to the provisions of the preceding paragraph, a statement to that effect must be set down in the notes.

Chapter VII Special Provisions for Business Accounting Standards

Section 1 Designated International Accounting Standards

(Special Provisions Pertaining to Designated International Accounting Standards)

Article 93 The terminology, forms, and preparation methods of consolidated financial statements that a specified company complying with designated international accounting standards submits may be in accordance with Designated International Accounting Standards (limited to International Accounting Standards (meaning, from among the business accounting standards prepared and published by organizations that, on a regular basis, research, study, and prepare business accounting standards intended to be used as internationally common business accounting standards, and that satisfy all of the requirements set forth in the items of Article 1, paragraph (3), those which are specified by the Commissioner of the Financial Services Agency; the same applies in the following Article and Article 94) which are specified by the Commissioner of the Financial Services Agency as such that are found to have been prepared and published under fair and proper procedures and are expected to be accepted as fair and appropriate business accounting standards; the same applies in the following Article).

(Notes on Designated International Accounting Standards)

Article 93-2 The following matters must be set down in the notes to the consolidated financial statements prepared in accordance with Designated International Accounting Standards:

- (i) if Designated International Accounting Standards are the same as International Accounting Standards, a statement to the effect that the consolidated financial statements are prepared in accordance with International Accounting Standards;
- (ii) if Designated International Accounting Standards are different from International Accounting Standards, a statement to the effect that the consolidated financial statements are prepared in accordance with Designated International Accounting Standards; and

(iii) a statement to the effect that the company falls under a specified company complying with designated international accounting standards and the reason therefor.

Section 2 Japan's Modified International Standards

(Special Provisions Pertaining to Japan's Modified International Standards)

Article 94 The terminology, forms, and preparation methods of consolidated financial statements that a specified company complying with Japan's modified international standards submits may be in accordance with Japan's Modified International Standards (from among the business accounting standards prepared and published by specified organizations by modifying International Accounting Standards, limited to those which are specified by the Commissioner of the Financial Services Agency as such that are found to have been prepared and published under fair and proper procedures and are expected to be accepted as fair and appropriate business accounting standards; the same applies in the following Article).

(Notes on Japan's Modified International Standards)

Article 94-2 The following matters must be set down in the notes to the consolidated financial statements prepared in accordance with Japan's Modified International Standards:

- (i) a statement to the effect that the consolidated financial statements are prepared in accordance with Japan's Modified International Standards; and
- (ii) a statement to the effect that the company falls under a specified company complying with Japan's modified international standards and the reason therefor.

Chapter VIII Miscellaneous Provisions

Article 95 If the Commissioner of the Financial Services Agency approves a company submitting consolidated financial statements that has registered consolidated financial statements prepared by using the terminology, forms, and preparation methods that are required with regard to issuance, etc. of American depositary receipts (hereinafter referred to as "U.S.-Style consolidated financial statements") with the U.S. Securities and Exchange Commission to submit the U.S.-Style consolidated financial statements as the consolidated financial statements under the Act, on finding no risk of impairing the public interests or protection of investors, the terminology, forms, and preparation methods of the consolidated financial statements submitted by that company may, except for matters as instructed by the Commissioner of the

Financial Services Agency on finding that they are necessary, be the terminology, forms, and preparation methods required with regard to issuance, etc. of American depositary receipts.

Article 96 The provisions of the preceding Article do not apply if the company submitting consolidated financial statements no longer registers U.S.-Style consolidated financial statements with the U.S. Securities and Exchange Commission.

Article 97 The consolidated financial statements under Article 95 must be written in Japanese.

Article 98 The consolidated financial statements under Article 95 must also contain the following matters in the notes:

- (i) the terminology, forms, and preparation methods in accordance with which the consolidated financial statements have been prepared;
- (ii) the status of preparation of the consolidated financial statements and the status of registration with the U.S. Securities and Exchange Commission; and
- (iii) major differences from the case of preparing consolidated financial statements in accordance with this Regulation (excluding Chapter VII and this Chapter).