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

(Ministry of Finance Order No. 59 of November 27, 1963)

Pursuant to the provisions of Article 193 of the Securities and Exchange Act (Act No. 25 of 1948), a Ministerial Order for fully revising the Rules on Terminology, Forms, and Preparation Methods of Financial Statements (Securities and Exchange Commission Rules No. 18 of 1950) is hereby enacted as follows.

Chapter I General Provisions

(General Principles to Apply)

Article 1 (1) From among the financial and accounting documents (hereinafter referred to as "financial documents") that are 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 cases where these provisions are applied mutatis mutandis pursuant to paragraph (5) of that Article) or paragraph (6) of that Article (including 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 as one to whom it is appropriate to apply this Regulation (that corporation is hereinafter referred to as a "designated corporation")), the terminology, forms, and preparation methods of financial statements (meaning balance sheets, profit and loss statements, statements of changes in net assets and cash flow statements (including documents that are equivalent to these financial documents, and that are prepared by a designated corporation or prepared for specified trust property prescribed in Article 2-2; the same applies hereinafter) and annexed detailed statement or, if financial documents are prepared pursuant to Designated International Accounting Standards (meaning Designated International Accounting Standards prescribed in Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as "regulation on consolidated financial statements"); the same applies hereinafter) pursuant to the provisions of Article 129, paragraph (2), equivalents to balance sheets, profit and loss statements, statements of changes in net assets and cash flow statements, of which preparation is required pursuant to the Designated International Accounting Standards; the same applies hereinafter) are governed by the provisions of this Chapter to Chapter VIII, excluding Article 1-3, 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) The 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, as 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, 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 prepare 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).

(4) If the Commissioner of the Financial Services Agency has specially published any standards on the preparation methods for specific matters concerning financial statements that are to be submitted pursuant to the provisions of the Act, the standards is regarded as being equivalent to the provisions of this Regulation and prevails over the business accounting standards generally accepted as fair and appropriate prescribed in paragraph (1).

(Special Provisions for Companies Which Prepare Consolidated Financial Statements)

Article 1-2 The terminology, forms, and preparation methods of financial statements that a company which prepares consolidated financial statements and which is a company with financial auditors as prescribed in Article 2, item (xi) of the Companies Act (Act No. 86 of 2005) (excluding a stock company or designated corporation engaged in a listed business as prescribed in Article 2; referred to as a "special company submitting financial statements" in Chapter VII), submits may be in accordance with the provisions of that Chapter.

(Special Provisions for Specified Companies Complying with Designated International Accounting Standards)

Article 1-2-2 The terminology, forms, and preparation methods of Financial Statements that an issuer (meaning the issuer prescribed in Article 2, paragraph (5) of the Act) 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, unless it prepares consolidated financial statements, be in accordance with the provisions of Chapter VIII:

(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 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 financial statements can be prepared in a proper manner under Designated International Accounting Standards.

(Special Provisions for Foreign Companies)

Article 1-3 The terminology, forms, and preparation methods of financial documents (excluding interim financial documents and quarterly financial documents; the same applies in Chapter IX) that are to be submitted by a foreign company (meaning an issuer of beneficiary securities in foreign investment trusts set forth in Article 2, paragraph (1), item (x) of the Act, foreign investment securities set forth in item (xi) of that paragraph, securities set forth in item (xvii) of that paragraph which have the nature of the securities set forth in items (iii) to (ix) or items (xii) to (xvi) of that paragraph, securities set forth in item (xviii) of that paragraph, securities set forth in item (xix) or item (xx) of that paragraph (limited to those whose issuer is a foreign person), securities set forth in item (xxi) of that paragraph or rights set forth in paragraph (2), item (ii), (iv) or (vi) of that Article; the same applies in that Chapter) are to be governed by the provisions of that Chapter.

(Application of This Regulation to Companies Engaged in Specified Business)

Article 2 If, with regard to the terminology, forms, and preparation methods of financial statements which a stock company or designated corporation that is engaged in a business set forth in the appended list (hereinafter referred to as a "listed business") submits to its governing authority, there are any special provisions of law or regulations or if there are any rules on Financial Statements (hereinafter referred to as "rules") that its governing authority has established based on this Regulation, the terminology, forms, and preparation methods of the financial statements that the stock company or designated corporation engaged in the relevant business submits pursuant to the provisions of the Act are to be governed by the provisions of the law, regulations or rules, notwithstanding the provisions of Articles 11 to 68-2, Articles 68-4 to 77, Articles 79 to 109 and Articles 110 to 121; provided, however, that this does not apply with regard to matters that the Commissioner of the Financial Services finds to be necessary and on which the Commissioner has given instructions, nor does this apply with regard to matters that are not provided for in the law, regulations or rules.

(Application of this Regulation to Specified Trust Property)

Article 2-2 The terminology, forms, and preparation methods of the financial statements that must be prepared with regard to trust property that is subject to the application of the Regulation on Accounting for Special Purpose Trust Property (Prime Minister's Office Order No. 132 of 2000; hereinafter referred to as the "special purpose trust property accounting regulation") or the Regulation on Accounting for Investment Trust Property (Prime Minister's Office Order No. 133 of 2000; hereinafter referred to as the "investment trust property accounting regulation") (that trust property is hereinafter referred to as the "specified trust property") are to be governed by the special purpose trust property accounting regulation or the investment trust property accounting regulation, notwithstanding the provisions of Articles 11 to 68-2, Articles 68-4 to 77, Articles 79 to 109 and Articles 110 to 121; provided, however, that this does not apply with regard to matters that the Commissioner of the Financial Services Agency finds to be necessary and on which the Commissioner has given instructions, nor does this apply to matters that are not provided for in the special purpose trust property accounting regulation or the investment trust property accounting regulation.

Article 3 Financial statements submitted, pursuant to the provisions of the Act, by a stock company concurrently engaged in two or more businesses that are subject to the application of the provisions of Article 2 are to be governed by the laws, regulations or rules that apply to whichever of these businesses constitutes the main portion of the operations of that company; provided, however, that matters concerning any business other than its main business or matters for which that company has obtained the approval of the Commissioner of the Financial Services Agency on the finding that they should not be governed by the provisions of the relevant laws, regulations or rules may be governed by laws, regulations or rules that are relevant to any of the businesses other than the main business.

Article 4 If a stock company is concurrently engaged in a business that is subject to the application of the provisions of Article 2 and any other business, and the relevant other business constitutes the main portion of the operations of that company, the Financial Statements that the company submits pursuant to the provisions of this Act may be exempted from having the provisions of Article 2 applied thereto; provided, however, that matters related to the business that is subject to the application of the provisions of Article 2 may be governed by the relevant laws, regulations or rules.

Article 4-2 If a stock company or designated corporation engaged in specified financial services (meaning specified financial services as prescribed in Article 2, paragraph (2) of the Cabinet Office Order on Account Management of specified finance companies (Order of the Prime Minister's Office and the

Ministry of Finance No. 32 of 1999); the same applies hereinafter) set forth in Appended List No. 19 is concurrently engaged in any business other than specified financial services, matters concerning the specified financial services are to be governed by that Regulation, notwithstanding the provisions of the preceding two Articles.

(Preparation Standards and Presentation Method for Financial Statements)
Article 5 (1) The terminology, forms, and preparation methods of financial statements to be submitted pursuant to the provisions of the Act must comply with the following standards:

(i) the financial statements present true information concerning the financial position, operating results, and cash flow conditions (meaning cash flow as prescribed in Article 8, paragraph (18); the same applies in the following item) of the company submitting financial statements (meaning the company, designated corporation, or partnership which is to submit financial statements pursuant to the provisions of the Act; the same applies hereinafter);

(ii) the financial statements clearly present the accounting information necessary for preventing the interested persons of the company submitting financial statements from reaching erroneous conclusions on its financial, operating, and cash flow conditions; and

(iii) the accounting principles and procedures adopted by the company submitting financial statements are applied continuously throughout each period for preparing Financial Statements, unless a change is made based on justifiable grounds.

(2) The same presentation method must be adopted for matters that must be entered in Financial Statements and that have the same content, throughout each period for preparing financial statements, unless a change is made based on justifiable grounds.

(Preparation of Comparative Information)
Article 6 Financial statements for the current business year must be prepared by including, as part of the financial statements, comparative information (meaning the matters pertaining to the business year immediately preceding the current business year (hereinafter referred to as the "previous business year") corresponding to the matters entered in the financial statements (excluding the supplementary schedules) for the current business year).

Article 7 Deleted.

(Definitions)

Article 8 (1) As used in this Regulation, the term "within one year" means a date that falls within one year from the day following the date of the balance sheet.

(2) As used in this Regulation, the term "ordinary transactions" means transactions that occur routinely or that occur repeatedly during a short period, as a part of the operating activities to achieve the business purpose of the company submitting financial statements.

(3) As used in this Regulation, the term "parent company" means a Company, etc. that has control over the body that decides the financial and operational or business policies of another company, etc. (the body means the ensemble of shareholders at a shareholders' meeting or any other bodies equivalent thereto; hereinafter referred to as a "decision-making body"), and the term "subsidiary company" means the relevant other company, etc. Where a parent company and a subsidiary company jointly, or a subsidiary company alone has control over the decision-making body of another company, etc., the relevant other company, etc. is also deemed as a subsidiary company of the parent company.

(4) A company, etc. that has control over a decision-making body of another company, etc. under the preceding paragraph means any of the companies, etc. set forth in the following items; provided, however, that this does not apply to a company, etc. that is found to clearly not have control over the decision-making body of another company, etc. from the viewpoint of their financial, operational or business relationships:

(i) a company, etc. that holds, on its own account, the majority of the voting rights in another company, etc. (excluding a company, etc. that is subject to a decision for the commencement of rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999), a stock company that is subject to a decision for the commencement of corporate reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002), a company, etc. that is subject to a decision for the commencement of bankruptcy proceedings under the Bankruptcy Act (Act No. 75 of 2004), or any other company, etc. equivalent thereto, which also is found to have no effective parent-subsidiary relationship; hereinafter the same applies in this paragraph);

(ii) a company, etc. that holds, on its own account, not less than forty percent and not more than fifty percent of the voting rights in another company, etc., and that also satisfies any of the following requirements:

(a) that the voting rights held on its own account and the voting rights held by any persons who are found to exercise their voting rights in accordance with the wishes of the company, etc. due to their close ties with the company, etc. in terms of investment, personnel, funds, technology, transactions, etc. and those held by any persons who have agreed to exercise their voting rights in accordance with the wishes of the company, etc., when combined, constitute a majority of the voting rights in another company, etc.;

(b) that persons who are or were officers (meaning officers as prescribed in Article 21, paragraph (1), item (i) of the Act (including cases where it is applied mutatis mutandis pursuant to Article 27 of the Act); the same applies hereinafter) or employees of the company, etc. and who are able to exert an impact on the financial and operational or business policy decisions of another company, etc. constitute a majority of the members of the board of directors or any other administrative instrument equivalent thereto at the relevant other company, etc.;

(c) that there is a contract, etc. for the company, etc. to control material financial and operational or business policy decisions of another company, etc.;

(d) that the company, etc. has financed (including guaranteeing debts and providing collateral; hereinafter the same in this item and paragraph (6), item (ii), (b)) a majority of the total amount of the procured funds (limited to those reported in the liabilities section of the balance sheet) of another company, etc. (including cases where the amount financed by the company, etc. and the amount financed by any persons who have close ties with the company, etc. in terms of investment, personnel, funds, technology, transactions, etc., when combined, constitute a majority of the total amount of the procured funds); or

(e) that there is any other fact implying that the company, etc. has control over the decision-making body of another company, etc.; and

(iii) a company, etc. whose voting rights that it holds on its own account, when combined with the voting rights held by any persons who are found to exercise their voting rights in accordance with the wishes of the company, etc. due to their close ties with the company, etc. in terms of investment, personnel, funds, technology, transactions, etc. and with those held by any persons who have agreed to exercise their voting rights in accordance with the wishes of the company, etc. (including cases where the company, etc. holds no voting rights on its own account), constitute the majority of the voting rights in another company, etc., and that also satisfies any of the requirements set forth in (b) to (e) of the preceding item.

(5) The term "affiliated company" as used in this Regulation means, when a company, etc. or its subsidiary company is able to exert a material impact on the financial and operational or business policy decisions of another Company, etc. that is not a subsidiary company, due to their ties in terms of investment, personnel, funds, technology, transactions, etc., the relevant other Company, etc. that is not a subsidiary company.

(6) The cases referred to in the preceding paragraph where a material impact can

be exerted on the financial and operational or business policy decisions of another company, etc. that is not a subsidiary company are the cases set forth in the following items; provided, however, that this does not apply when it is found that the company, etc. or its subsidiary company of the company, etc. is clearly unable to exert a material impact on the financial and operational or business policy decisions of another company, etc. that is not a subsidiary company, in light of their financial, operational or business relationships:

(i) if the company, etc. or its subsidiary company holds, on its own account, not less than twenty percent of the voting rights in another Company, etc. that is not a subsidiary company (excluding a company, etc. that is subject to a decision for the commencement of rehabilitation proceedings under the Civil Rehabilitation Act, a stock company that is subject to a decision for the commencement of corporate reorganization proceedings under the Corporate Reorganization Act, a company, etc. that is subject to a decision for the commencement of bankruptcy proceedings under the Bankruptcy Act, or any other company, etc. equivalent thereto, and if the company, etc. or its subsidiary company is also found to be unable to exert a material impact on the financial and operational or business policy decisions of the company, etc.; hereinafter the same applies in this paragraph);

(ii) if the company, etc. or its subsidiary company of the company, etc. holds, on its own account, not less than fifteen percent but less than twenty percent of the voting rights in another company, etc. that is not a subsidiary company, and if any of the following requirements are also satisfied:

(a) that a person who is or was an officer or employee of the company, etc. or its subsidiary company and who is able to exert an impact on the financial and operational or business policy decisions of another company, etc. that is not a subsidiary company has been appointed to the position of representative director, director or any other position equivalent thereto at the relevant other company, etc. that is not a subsidiary company;

(b) that the company, etc. or its subsidiary company extends material financing to another Company, etc. that is not a subsidiary company;

(c) that the company, etc. or its subsidiary company provides material technology to another Company, etc. that is not a subsidiary company;

(d) that there are material sales, purchases or any other operational or business transactions between the company, etc. or its subsidiary company and another company, etc. that is not a subsidiary company; or

(e) that any other fact exists inferring that the company, etc. or its subsidiary company is able to exert a material impact on the financial and operational or business policy decisions of another Company, etc. that is not a subsidiary company;

(iii) if the voting rights held by the company, etc. or its subsidiary company, on its own account, when combined with the voting rights held by any persons who are found to exercise their voting rights in accordance with the wishes of the company, etc. or its subsidiary company due to their close ties with the company, etc. or its subsidiary company in terms of investment, personnel, funds, technology, transactions, etc. and with the voting rights held by any persons who have agreed to exercise their voting rights in accordance with the wishes of the company, etc. or its subsidiary company (including cases where the company, etc. or its subsidiary company holds no voting rights on its own account), constitute not less than twenty percent of the voting rights in another Company, etc. that is not a subsidiary company, and if any of the requirements set forth in (a) to (e) of the preceding item are also satisfied; and

(iv) if a non-subsidiary company, etc. falls under an enterprise (meaning a company or a business entity that is equivalent to a company; the same applies hereinafter) that is jointly controlled by multiple independent enterprises (that controlled enterprise is hereinafter referred to as a "jointly controlled enterprise").

(7) When a special purpose company (meaning a specified purpose company as prescribed in Article 2, paragraph (3) of the Act on the securitization of assets (Act No. 105 of 1998; hereinafter referred to as the "asset securitization act" in this paragraph and Article 122, item (viii)) (referred to as a "specified purpose company" in Article 122, item (viii)) and business entities engaged in business similar thereto which are restricted from changing the content of business; hereinafter the same applies in this paragraph) has been incorporated for the purpose of allowing the holders of securities issued thereby (including the creditors of specific borrowings as prescribed in Article 2, paragraph (12) of the asset securitization act) to enjoy the revenues arising from assets that have been transferred to the special purpose company at a fair value, and when the business of the special purpose company is being appropriately implemented in accordance with the purpose thereof, the special purpose company is deemed to be independent from any company, etc. that has transferred assets to the special purpose company (hereinafter collectively referred to as a "transferor company, etc.") and, notwithstanding the provisions of paragraphs (3) and (4), the special purpose company is presumed not to fall under a subsidiary company of the transferor company, etc.

(8) As used in this Regulation, the term "associated company" means the parent company, subsidiary company, or affiliated company of the company submitting financial statements and, when the company submitting financial statements is the affiliated company of another company, etc., the relevant other company, etc. (referred to as "other associated company" in paragraph (17), item (iv)).

(9) As used in this Regulation, the term "futures transactions" means the following transactions:
(i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in items (i) and (ii) of that paragraph) and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions that are similar to the transactions set forth in paragraph (21), items (i) and (ii) of that Article); and
(ii) futures transactions prescribed in Article 2, paragraph (3) of the Commodity Derivatives Transaction Act (Act No. 239 of 1950) (limited to the transactions set forth in items (i) to (iii) of that paragraph) and foreign commodity market transactions similar thereto (meaning the foreign commodity market transactions prescribed in paragraph (13) of that Article; the same applies hereinafter).
(10) As used in this Regulation, the term "options transactions" means the following transactions:
(i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in item (iii) of that paragraph), over-the-counter derivatives transactions as prescribed in paragraph (22) of that Article (limited to the transactions set forth in items (iii) and (iv) of that paragraph), and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions similar to the transactions set forth in paragraph (21), item (iii) of that Article);
(ii) futures transactions as prescribed in Article 2, paragraph (3) of the Commodity Derivatives Transaction Act (limited to the transactions set forth in item (iv) of that paragraph), transactions on a commodity market as prescribed in paragraph (10) of that Article (limited to the transactions set forth in item (i), (e) and (g) of that paragraph) and foreign commodity market transactions similar thereto, and over-the-counter commodity derivative transactions as prescribed in paragraph (14) of that Article (limited to the transactions set forth in items (iv) and (v) of that paragraph); and
(iii) transactions similar to the transactions set forth in the preceding two items (including transactions other than transactions on a financial instruments exchange market (meaning the financial instruments exchange market prescribed in Article 2, paragraph (17) of the Act), a foreign financial instruments market (meaning the foreign financial instruments market prescribed in Article 2, paragraph (8), item (iii), (b) of the Act), the commodity market prescribed in Article 2, paragraph (10) of the Commodity Derivatives Transaction Act, or a foreign commodity market (transactions on those markets are collectively referred to as "market transactions" in item (iii) of the following paragraph and Article 8-8, paragraph (2))).
(11) As used in this Regulation, the term "forward transactions" means the

following transactions:

(i) over-the-counter derivatives transactions as prescribed in Article 2, paragraph (22) of the Act (limited to the transactions set forth in items (i) and (ii) of that paragraph);

(ii) over-the-counter commodity derivative transactions as prescribed in Article 2, paragraph (14) of the Commodity Derivatives Transaction Act (limited to the transactions set forth in items (i) to (iii)); and

(iii) transactions other than those set forth in the preceding two items, which are similar to futures transactions (limited to transactions other than market transactions).

(12) As used in this Regulation, the term "swap transactions" means the following transactions:

(i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in item (iv) of that paragraph), over-the-counter derivatives transactions as prescribed in paragraph (22) of that Article (limited to the transactions set forth in item (v) of that paragraph), and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions similar to those set forth in paragraph (21), item (iv) of that Article);

(ii) futures transactions as prescribed in Article 2, paragraph (3) of the Commodity Derivatives Transaction Act (limited to the transactions set forth in items (v) and (vi) of that paragraph), transactions on a commodity market as prescribed in paragraph (10) of that Article (limited to the transactions set forth in item (i), (f) of that paragraph) and foreign commodity market transactions similar thereto, and over-the-counter commodity derivative transactions as prescribed in paragraph (14) of that Article (limited to the transactions set forth in item (vi) of that paragraph); and

(iii) transactions similar to those set forth in the preceding two items.

(13) As used in this Regulation, the term "any other derivatives transactions" means the following transactions:

(i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in items (v) and (vi) of that paragraph), over-the-counter derivatives transactions as prescribed in paragraph (22) of that Article (limited to the transactions set forth in items (vi) and (vii) of that paragraph), and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions similar to those set forth in paragraph (21), items (v) and (vi) of that Article); and

(ii) transactions similar to those set forth in the preceding item.

(14) As used in this Regulation, the term "derivatives transactions" means transactions as prescribed in paragraph (9) through the preceding paragraph.

(15) As used in this Regulation, the term "consolidated financial statements" means the consolidated financial statements prescribed in Article 1 of the regulation on consolidated financial statements.
(16) As used in this Regulation, the term "equity method" means the method prescribed in Article 2, item (viii) of the regulation on consolidated financial statements.
(17) As used in this Regulation, the term "related party" means any of the following persons:
(i) the parent company of the company submitting financial statements;
(ii) the subsidiary companies of the company submitting financial statements;
(iii) companies, etc. with the same parent company as the company submitting financial statements;
(iv) the parent company and the subsidiary companies of other associated company of the company submitting financial statements;
(v) the affiliated companies of the company submitting financial statements, and the subsidiary companies of those affiliated companies;
(vi) the major shareholders (meaning major shareholders as prescribed in Article 163, paragraph (1) of the Act; the same applies hereinafter) of the company submitting financial statements and the close relatives (meaning relatives within the second degree of kinship; the same applies in the following item and item (viii)) thereof;
(vii) the officers of the company submitting financial statements and the close relatives thereof;
(viii) the officers of the parent company of the company submitting financial statements and the close relatives thereof;
(ix) a company, etc., whose majority of voting rights are held by any of the persons set forth in the preceding three items, on their own accounts, and the subsidiary companies of the company, etc.; and
(x) a corporate pension fund for the workers of the company submitting financial statements (limited to when the corporate pension fund engages in material transactions (excluding the contribution of premiums) with the company submitting financial statements).
(18) As used in this Regulation, the term "cash flow" means any increase or decrease in the funds prescribed in the following paragraph.
(19) As used in this Regulation, the term "funds" means 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 a low risk of fluctuations in value; the same applies in Chapter V).
(20) As used in this Regulation, the term "trading securities" means securities

held for the purpose of making a profit from fluctuations in market values.
(21) As used in this Regulation, the term "bonds held to maturity" means corporate bond certificates or other bond certificates that are retained with the intention of holding them until maturity (limited to those that were acquired with the intention of holding them until maturity).
(22) As used in this Regulation, the term "other securities" means securities other than trading securities, bonds held to maturity, shares in a subsidiary company, or shares in an affiliated company.
(23) As used in this Regulation, the term "treasury shares" means the shares of a company submitting financial statements that the company submitting financial statements holds itself.
(24) As used in this Regulation, the term "shares in the company" means shares in the company submitting financial statements.
(25) As used in this Regulation, the term "share options in the company" means call options (meaning the rights to acquire the shares in the company that constitute the underlying assets thereof, by paying a certain amount of money) whose underlying assets are shares in the company.
(26) As used in this Regulation, "stock options" means share options in the company which a company submitting financial statements grants to its workers, etc. (meaning employees hired by the company submitting financial statements and officers of the company submitting financial statements; hereinafter the same applies in this paragraph) as remuneration (meaning what the company submitting financial statements pays or delivers to its workers, etc. as consideration for their work, administration business, etc.).
(27) As used in this Regulation, the term "business combination" means integration of a certain enterprise or a business segment of a certain enterprise and another enterprise or a business segment of another enterprise into a single reporting unit.
(28) As used in this Regulation, the term "acquiring enterprise" means an enterprise which acquires (meaning gains control; the same applies in the following paragraph, paragraph (36), Article 8-17, paragraph (1), Article 8-19, paragraph (1) and Article 56) another enterprise or a business segment of another enterprise.
(29) As used in this Regulation, the term "acquired enterprise" means an enterprise which is to be acquired by an acquiring enterprise.
(30) As used in this Regulation, the term "surviving company" means a company surviving absorption-type merger prescribed in Article 749, paragraph (1) of the Companies Act and a business entity equivalent thereto.
(31) As used in this Regulation, the term "combiner" means an enterprise that receives another enterprise or a business segment of another enterprise and pays a consideration therefor.

(32) As used in this Regulation, the term "combinee" means an enterprise that is received into the combiner or an enterprise whose business segment is receive into the combiner.
(33) As used in this Regulation, the term "combined enterprise" means an enterprise which is a single reporting unit integrated by business combination.
(34) As used in this Regulation, the term "constituent enterprises" means the enterprises involved in a business combination.
(35) As used in this Regulation, the term "purchase method" means a method wherein the acquisition costs for the assets and liabilities that the combiner takes on from a combinee is the market values of the cash delivered as consideration and its shares, etc.
(36) As used in this Regulation, the term "reverse acquisition" means, from among business combinations, those set forth below:
(i) a business combination wherein an enterprise that disappears in an absorption-type merger (in cases of an entity other than a company, an equivalent thereto; the same applies hereinafter) will presumably survive and acquire the surviving company;
(ii) a business combination wherein a company splitting in an absorption-type split (meaning a company splitting in an absorption-type split prescribed in Article 758, item (i) of the Companies Act and a business entity equivalent thereto; the same applies in Article 8-18, paragraph (3), item (ii)) or the enterprise that made a contribution in kind is to acquire the company succeeding in an absorption-type split (meaning a company succeeding in an absorption-type split prescribed in Article 757 of that Act and a business entity equivalent thereto) or the enterprise that received the contribution in kind; and
(iii) a business combination wherein a wholly owned subsidiary company resulting from a share exchange (a wholly owned subsidiary company resulting from a share exchange prescribed in Article 768, paragraph (1), item (i) of the Companies Act and a business entity equivalent thereto; the same applies in Article 8-18, paragraph (3), item (iii)) is to acquire the wholly owning parent company resulting from a share exchange (meaning a wholly owning parent company resulting from a share exchange prescribed in Article 767 of that Act and a business entity equivalent thereto)".
(37) As used in this Regulation, the term "common control transaction, etc." means a business combination wherein all of the constituent enterprises or businesses are ultimately controlled by the same shareholders before and after the business combination, and when the control is not temporary, as well as transactions wherein the enterprise which controls the business group (meaning a company submitting consolidated financial statements and its subsidiary companies; hereinafter the same applies in this paragraph)

exchanges its shares in a subsidiary company with any of the subsidiary company's shareholders who do not belong to the business group.

(38) As used in this Regulation, the term "business divestiture" means the transfer of a certain enterprise's business segment to another enterprise (including a newly incorporated enterprise).

(39) As used in this Regulation, the term "divesting enterprise" means the enterprise that transfers its business segment in a business divestiture.

(40) As used in this Regulation, the term "divested enterprise" means the enterprise (including a newly incorporated enterprise) that receives a business segment from a divesting enterprise in a business divestiture.

(41) As used in this Regulation, "financial instruments" means financial assets (meaning monetary claims, securities, and claims arising from derivatives transactions (including equivalents thereof); the same applies in Article 8-6-2, paragraph (3)) and financial liabilities (meaning monetary debts and debts arising from derivatives transactions (including equivalents thereof); the same applies in that paragraph).

(42) As used in this Regulation, the term "asset retirement obligations" means legal obligations or the equivalent thereof with regard to the retirement of tangible fixed assets, which arise through the acquisition, construction, development, or ordinary use of tangible fixed assets.

(43) As used in this Regulation, the term "construction contract" means a contract wherein the basic specifications and work details for civil engineering, building, shipbuilding, the manufacture of machinery and equipment, or any other work, are based on instructions from the person ordering the work.

(44) As used in this Regulation, the term "accounting policies" means the accounting principles and procedures adopted for the preparation of Financial Statements.

(45) As used in this Regulation, the term "presentation method" means the presentation method adopted for the preparation of financial statements.

(46) As used in this Regulation, the term "accounting estimates" means amounts of assets, liabilities, revenues, expenses, etc. that are reasonably calculated based on the information available at the time of the preparation of financial statements when those amounts are uncertain.

(47) As used in this Regulation, the term a "change in accounting policies" means a change of an accounting policy that is generally accepted as fair and appropriate into another accounting policy that is generally accepted as fair and appropriate.

(48) As used in this Regulation, the term "change in presentation method" means a change of a presentation method that is generally accepted as fair and appropriate to another Method of Presentation that is generally accepted as fair and appropriate.

(49) As used in this Regulation, the term a "change in accounting estimates" means a change in an accounting estimate that had been made for the preparation of financial statements for the previous business year or any prior business year, based on new information that has become available.
(50) As used in this Regulation, the term "error" means an error arising from the failure to use, or the misuse of, information that was available at the time of the preparation of financial statements, regardless of whether or not the act to be the cause thereof was intentional.
(51) As used in this Regulation, the term "retrospective application" means the implementation of accounting processes by assuming that new accounting policies are retroactively applied to financial statements for the previous business year or any prior business year.
(52) As used in this Regulation, the term "reclassification of financial statements" means changing the presentation by assuming that a new presentation method is retroactively applied to the financial statements for the previous business year and earlier.
(53) As used in this Regulation, the term "restatement" means the reflection, in financial statements, of the correction of an error in financial statements for the previous business year or any prior business year.
(54) As used in this Regulation, the term "retirement benefits" means retirement lump-sum payments and retirement pensions paid to workers, etc. (meaning employees hired by the company submitting financial statements and officers of the company submitting financial statements (limited to those that are subject to a retirement benefit plan); the same applies in the following paragraph, paragraph (56), and paragraph (58)) after their retirement.
(55) As used in this Regulation, the term "retirement benefit obligations" means liabilities of which amount is obtained by first calculating the amount that constitutes the portion of retirement benefits (excluding those that have already been paid) projected to be paid to each worker, etc. (including any person who is no longer employed at the relevant company; hereinafter the same applies in this paragraph) that has arisen based on the service of each worker, etc. until the balance sheet date (for a worker who is no longer employed, until the date the worker, etc. ceased to be employed at the relevant company), this amount having been discounted by using the discount rate (meaning a rate specified by the company submitting financial statements based on the yields of the Japanese government bonds, government agency bond certificates, or any other high quality bonds by reflecting the period that runs from the balance sheet date until the day on which retirement benefits are projected to be paid to each worker, etc.; the same applies in the following paragraph, paragraph (57), and Article 8-13, paragraph (1), item (vii)) as of the balance sheet date, and then calculating the total amount for all workers, etc.

(56) As used in this Regulation, the term "service cost" means the cost of which amount is obtained by first calculating the amount that constitutes the portion of the retirement benefits projected to be paid to each worker, etc. that has arisen based on the service of each worker, etc. between the day of commencement of the relevant business year and the balance sheet date, this amount having been discounted by using the discount rate, and then calculating the total amount for all workers, etc.

(57) As used in this Regulation, the term "interest cost" means the cost equivalent to the interest calculated by using the discount rate on the retirement benefit obligations as of the start date of the current business year.

(58) As used in this Regulation, the term "pension assets" means specific assets which are accumulated for allocation to retirement benefits based on a contract, etc. between a company, etc. and a worker, etc. with regard to a specific retirement benefit plan and which satisfy all of the following requirements:

(i) that the assets may not be used for a purpose other than payment of retirement benefits;

(ii) that the assets are legally separated from the Company, etc. and the creditors of the company, etc.;

(iii) that the assets may not be withdrawn, etc. for a purpose other than return of assets to the company, etc., cancellation by the company, etc., and payment of retirement benefits, except for the surplus assets accumulated; and

(iv) that the assets may not be exchanged for assets of the company, etc.

(59) As used in this Regulation, the term "expected return" means revenues that are reasonably expected to arise as a result of investing pension assets.

(60) As used in this Regulation, the term "actuarial gain/loss" means the difference between the expected return on pension assets and the actual investment results, the difference between the estimated value used in the actuarial calculation of retirement benefit obligations and the actual value, and the difference that arises as a result of a change in the estimated value, etc.

(61) As used in this Regulation, the term "past service cost" means an increased or decreased portion of the retirement benefit obligations that arises as a result of adopting a retirement benefit plan or revising the level of retirement benefits.

(62) As used in this Regulation, the term "unrecognized actuarial gain/loss" means an actuarial gain/loss that has not been reported as an expense (including reporting as a reduction in expenses or reporting as a profit when the reduction exceeds the amount of expenses; the same applies hereinafter) as an item constituting the net income for the period or the net loss for the period.

(63) As used in this Regulation, the term "unrecognized past service cost" means

a past service cost that has not been reported as an expense as an item constituting the net income for the period or the net loss for the period.

(Material Notes of Accounting Policies)

Article 8-2 With regard to accounting policies, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) the valuation basis and valuation method for securities;

(ii) the valuation basis and valuation method for inventory assets;

(iii) the depreciation method for fixed assets;

(iv) the disposition method for deferred assets;

(v) the basis for the translation of foreign currency dominated assets and liabilities into Japanese currency;

(vi) allowance recognition standards;

(vii) revenue and expense recognition standards;

(viii) the method of hedge accounting (meaning the accounting process for recognizing, within a same accounting period, the profit and loss pertaining to hedging instruments (transactions aimed at diminishing the risk of losses from price fluctuations, interest-rate fluctuations, and exchange-rate fluctuations pertaining to assets (including those that are expected to definitely arise through future transactions; hereinafter the same applies in this item), liabilities (including those that are expected to definitely arise through future transactions; hereinafter the same applies in this item), or derivatives transactions, which are objectively recognized as diminishing the risk of the losses; hereinafter the same applies in this item and Article 67, paragraph (1), item (ii)) and the profit and loss pertaining to hedged items (meaning the assets, liabilities, or derivatives transactions that are the subject of hedging instruments; the same applies in Article 8-8, paragraph (3) and Article 67, paragraph (1), item (ii)); the same applies in Article 8-8, paragraphs (1) and (3));

(ix) the scope of funds in the cash flow statement; and

(x) any other material matters that serve as the basis for preparation of financial statements.

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

Article 8-3 (1) If a change in accounting Policies is made in line with revision or abolition of accounting standards or any other rules (hereinafter referred to as "accounting standards, etc.") or preparation of new accounting standards, etc. (referred to as "revision, etc. of accounting standards, etc." in the following Article) (limited to when the accounting standards, etc. do not provide for transitional measures concerning retrospective application), the following matters must be set down in the notes; provided, however, that if the same contents are to be entered in consolidated financial statements for the matters set forth in items (iii) to (v), entries of those matters may be omitted by making a statement to that effect:

(i) the name of the accounting standards, etc.;

(ii) the details of the change in accounting policies;

(iii) the effects on major account titles of financial statements in the previous business year;

(iv) the effects on per-share information (meaning the per-share amount of net assets, per-share amount of net income for the period or amount of net loss for the period, and diluted per-share amount of net income for the period (meaning the diluted per-share amount of net income for the period prescribed in Article 95-5, paragraph (1)); the same applies hereinafter) pertaining to the previous business year; and

(v) the cumulative effects on the amount of net assets at the beginning of the previous business year.

(2) Notwithstanding the provisions of the preceding paragraph, if principle-based treatment pertaining to retrospective application (meaning the reflection of the cumulative effects resulting from retrospective application to all business years prior to the previous business year in the amounts of assets, liabilities, and net assets at the beginning of the previous business year; the same applies hereinafter) is not possible in practice, the matters specified in the following items for the respective categories of cases set forth in those items must be set down in the notes; provided, however, that if the same contents are to be entered in consolidated financial statements for the matters set forth in item (i), (e) to (g) and item (ii), (e) to (g), entries of those matters may be omitted by making a statement to that effect:

(i) if it is possible to calculate the cumulative effects resulting from retrospective application at the beginning of the current business year and it is not possible in practice to calculate the cumulative effects at the beginning of the previous business year: the following matters:

(a) the name of the accounting standards, etc.;

(b) the details of the change in accounting policies;

(c) the effects on major account titles of financial statements that are possible to calculate in practice;

(d) the effects on per-share information pertaining to the current business year that are possible to calculate in practice;

(e) the cumulative effects on the amount of net assets at the beginning of the current business year;

(f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and

(g) the method of application of the change in accounting Policies and the date of commencement of the application; and

(ii) if it is not possible in practice to calculate the cumulative effects resulting from retrospective application at the beginning of the current business year: the following matters:

(a) the name of the accounting standards, etc.;

(b) the details of the change in accounting policies;

(c) the effects on major account titles of financial statements that are possible to calculate in practice;

(d) the effects on per-share information that are possible to calculate in practice;

(e) a statement to the effect that it is not possible in practice to calculate the cumulative effects resulting from retrospective application at the beginning of the current business year;

(f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and

(g) the method of application of the change in accounting policies and the date of commencement of the application.

(3) If any accounting processes have been implemented in accordance with transitional measures related to retrospective application prescribed in accounting standards, etc. and retrospective application has not been performed, the following matters must be set down in the notes; provided, however, that if the same contents are to be entered in consolidated financial statements for the matters set forth in items (iii) and (iv), entries of those matters may be omitted by making a statement to that effect:

(i) the name of the accounting standards, etc.;

(ii) the details of the change in accounting policies;

(iii) a statement to the effect that accounting processes have been implemented in accordance with the transitional measures and the outline of the transitional measures;

(iv) if the transitional measures have the possibility of affecting the financial statements for business years following the current business year, that fact and the effects (if the effects are unknown or are difficult to reasonably estimate, that fact);

(v) the effects on major account titles of financial statements that are possible to calculate in practice; and

(vi) the effects on per-share information that are possible to calculate in practice.

(4) Notwithstanding the provisions of the preceding three paragraphs, if the matters that must be set down in the notes pursuant to these provisions are

not material, the notes may be omitted.

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

Article 8-3-2 (1) If a change in accounting policies is made based on justifiable grounds other than a revision, etc. of accounting standards, etc., the following matters must be set down in the notes; provided, however, that if the same contents are to be entered in consolidated financial statements for the matters set forth in items (iii) to (v), entries of those matters may be omitted by making a statement to that effect:

(i) the details of the change in accounting policies;

(ii) the justifiable grounds on which the change in accounting policies is made;

(iii) the effects on major account titles of financial statements in the previous business year;

(iv) the effects on per-share information pertaining to the previous business year; and

(v) the cumulative effects on the amount of net assets at the beginning of the previous business year.

(2) Notwithstanding the provisions of the preceding paragraph, if principle-based treatment pertaining to retrospective application is not possible in practice, the matters specified in the following items for the respective categories of cases set forth in those items must be set down in the notes; provided, however, that if the same contents are to be entered in consolidated financial statements for the matters set forth in item (i), (e) to (g) and item (ii), (e) to (g), entries of those matters may be omitted by making a statement to that effect:

(i) if it is possible to calculate the cumulative effects resulting from retrospective application at the beginning of the current business year and it is not possible in practice to calculate the cumulative effects at the beginning of the previous business year: the following matters:

(a) the details of the change in accounting policies;

(b) the justifiable grounds on which the change in accounting policies is made;

(c) the effects on major account titles of Financial Statements that are possible to calculate in practice;

(d) the effects on per-share information pertaining to the current business year that are possible to calculate in practice;

(e) the cumulative effects on the amount of net assets at the beginning of the current business year;

(f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and

(g) the method of application of the change in accounting policies and the date of commencement of the application; and

(ii) if it is not possible in practice to calculate the cumulative effects resulting from retrospective application at the beginning of the current business year: the following matters:

(a) the details of the change in accounting policies;

(b) the justifiable grounds on which the change in accounting policies is made;

(c) the effects on major account titles of Financial Statements that are possible to calculate in practice;

(d) the effects on per-share information that are possible to calculate in practice;

(e) a statement to the effect that it is not possible in practice to calculate the cumulative effects resulting from retrospective application at the beginning of the current business year;

(f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and

(g) the method of application of the change in accounting policies and the date of commencement of the application.

(3) Notwithstanding the provisions of the preceding two paragraphs, if the matters that must be set down in the notes pursuant to these provisions are not material, the notes may be omitted.

(Notes on Unapplied Accounting Standards)

Article 8-3-3 (1) If any of the already published accounting standards, etc. have not been applied, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) the name and outline of the accounting standards, etc.;

(ii) the planned date of application of the accounting standards, etc. (if the accounting standards, etc. are to be applied prior to the date on which their application is to be commenced, the planned date of application); and

(iii) matters concerning how the accounting standards, etc. affect Financial Statements.

(2) The matters set forth in the items of the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Changes in Presentation Methods)

Article 8-3-4 (1) If a change in presentation method is made, the following matters must be set down in the notes:

(i) the details of the reclassification of financial statements;

(ii) the reason that the reclassification of financial statements was made; and

(iii) the amounts pertaining to major account titles of financial statements in the previous business year.

(2) Notwithstanding the provisions of the preceding paragraph, if reclassification of financial statements is not possible in practice, the reason therefor must be set down in the notes.

(3) Notwithstanding the provisions of the preceding two paragraphs, if the matters that must be set down in the notes pursuant to these provisions are not material, the notes may be omitted.

(4) If the same contents are to be entered in consolidated financial statements for the matters set forth in paragraph (1) (limited to the part pertaining to items (ii) and (iii)) and paragraph (2), entries of those matters may be omitted by making a statement to that effect.

(Notes on Changes in Accounting Estimates)

Article 8-3-5 If a change in accounting estimates is made, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) the details of the change in accounting estimates;

(ii) the effects of the change in accounting estimates on financial statements; and

(iii) the matters specified in (a) or (b) for the respective categories of cases set forth in (a) or (b):

(a) if the change in accounting estimates has the possibility of affecting the financial statements for business years following the current business year and the effects may be reasonably estimated: the effects; and

(b) if the change in accounting estimates has the possibility of affecting the financial statements for business years following the current business year and the effects are difficult to reasonably estimate: that fact.

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

Article 8-3-6 If it is difficult to distinguish a change in accounting Policies from a change in accounting estimates, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) the details of the change in accounting policies;

(ii) the justifiable grounds on which the change in accounting policies is made;

(iii) the effects of the change in accounting Policies on financial statements;

(iv) the matters specified in (a) or (b) for the respective categories of cases set forth in (a) or (b):

(a) if the change in accounting policies has the possibility of affecting the financial statements for business years following the current business year and the effects may be reasonably estimated: the effects; and

(b) if the change in accounting policies has the possibility of affecting the financial statements for business years following the current business year and the effects are difficult to reasonably estimate: that fact.

(Notes on Restatement)

Article 8-3-7 If a restatement was made, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) the details of the error;

(ii) the effects on major account titles of financial statements in the previous business year;

(iii) the effects on per-share information pertaining to the previous business year; and

(iv) the cumulative effects on the amount of net assets at the beginning of the previous business year.

(Notes on Material Post-Balance Sheet Events)

Article 8-4 If any events that will exert a material impact on the financial position, operating results and cash flow conditions of a company submitting financial statements in and/or after the following business year occur after the balance sheet date (those events are hereinafter referred to as "material post-balance sheet events"), those events must be set down in the notes.

(Notes on Additional Information)

Article 8-5 In addition to the notes particularly specified under this Regulation, if there are any matters that are found to be necessary for interested persons to make adequate judgments on the financial position, operating results and cash flow conditions of the company, those matters must be set down in the notes.

(Notes on Lease Transactions)

Article 8-6 (1) With regard to finance lease transactions (meaning lease transactions under a lease contract that may not be cancelled before the expiration of the lease period under the lease contract, or lease transactions equivalent thereto (referred to as "non-cancelable lease transactions" in the following paragraph), wherein the lessee of the property that is being used under the lease contract (hereinafter referred to as the "leased property") is able to materially enjoy an economic benefit brought about by the leased property, and, also, that the lessee materially bears the expenses, etc. that arise in line with the use of the leased property; the same applies hereinafter), the matters specified in the following items for the respective categories of cases set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) if the company submitting financial statements is the lessee of the leased property:

(a) the contents of the leased assets as of the end of the current business year; and

(b) the method of depreciation of the leased assets;

(ii) if the company submitting financial statements is the lessor of the leased property:

(a) the amount of the lease payment receivables (meaning the right to receive future lease payments; hereinafter the same applies in this item) and the amount of the estimated residual value (meaning the residual value that is estimated for the time of expiration of the lease period, which is not guaranteed by the lessee nor a third party), and the amount equivalent to interest income on lease investment assets as of the end of the current business year; and

(b) for the amount of lease receivables and of lease payment receivables on lease investment assets as of the end of the current business year, the amount that is to be called in each year up to five years from the balance sheet date and the amount that is to be called after five years from the balance sheet date.

(2) With regard to operating lease transactions (meaning lease transactions other than finance lease transactions) that are non-cancelable lease transactions as of the end of the current business year, the amounts of future lease payments in the non-cancelable lease transactions must be set down in the notes after being categorized into amounts for the portion of the lease period that is within one year and amounts for other portions of the lease period; provided, however, that notes may be omitted for immaterial matters.

(3) For sublease transactions (meaning transactions where one party is leased a property by the owner of the leased property, and further leases out the property to a third party under nearly the same conditions; hereinafter the same applies in this paragraph) wherein the lease transactions that a company submitting financial statements carries out as the lessee and the lease transactions the company submitting financial statements carries out as the lessor both fall under the category of finance lease transactions, if the company submitting financial statements has reported, on the balance sheet, lease receivables or lease investment assets, or lease obligations under the sublease transactions at their amounts before the deduction of amounts equivalent to interest expenses, the amounts of the lease receivables or lease investment

assets, or lease obligations must be set down in the notes; provided, however, that notes may be omitted for immaterial matters.

(4) The matters prescribed in the preceding paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Financial Instruments)

Article 8-6-2 (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 status of the financial instruments:

(a) the policy for dealing with 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 values of the financial instruments:

(a) the amounts reported on the balance sheet for each of the account titles on the balance sheet as of the balance sheet date;

(b) the market values for each of the account titles on the balance sheet as of the balance sheet date;

(c) the differences between the amounts reported on the balance sheet for each of the account titles on the balance sheet as of the balance sheet date and the market values for each of the account titles on the balance sheet as of the balance sheet date;

(d) the method of calculating the market values for each of the account titles on the balance sheet; and

(e) explanations on the matters set forth in (b) to (d).

(2) The matters set forth in item (ii), (b) to (e) of the preceding paragraph are not required to be set down in the notes, if it is extremely difficult to identify the market values. In this case, an entry to that effect and the reason therefor must be set down in the notes.

(3) For a company submitting financial statements whose financial assets and financial liabilities constitute most of the total amount of assets and the total amount of liabilities and are also material in light of the business purpose of the company, if there are material rates of fluctuation in the values of the financial assets and financial liabilities in response to fluctuations in the numerical values of the indicators that are the cause of major market risks (meaning risks of losses incurred by fluctuations in money rates, currency values, quotations on a financial instruments market (meaning a financial instruments market as prescribed in Article 2, paragraph (14) of the Act;

hereinafter the same applies in this paragraph) or any other indicators; hereinafter the same applies in this paragraph and the following paragraph) for the financial assets and financial liabilities, 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 whose risk management uses quantitative analyses on market risks: the quantitative information based on the analyses and information related thereto; or

(ii) financial instruments whose risk management does not use quantitative analyses on market risks: 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 values that have been calculated by assuming a reasonable scope of fluctuations in the numerical values of money rates, currency values, quotations on financial instruments markets and any other indicators that 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 company submitting financial statements, an entry 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 a profit from fluctuations in the market value) and securities (excluding trading securities) that have maturity periods, 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 the payment of interest, 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 the schedule of corporate bonds prescribed in Article 121, paragraph (1), item (iii) or in the schedule of borrowings, etc. prescribed in item (iv) of that paragraph, a statement to that effect may be set down in the notes in lieu of entering the amount.

(7) The matters specified in the preceding paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Securities)

Article 8-7 (1) In addition to the matters specified in the preceding Article (excluding paragraph (7)), 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 relevant business year (with regard to regulated securities prescribed in Article 23, item (ii) of the Cabinet Office Order on Disclosure of Information on Regulated Securities (Ministry of Finance Order No. 22 of 1993) for which a method has been adopted whereby the valuation amount as of the end of an accounting period is entered as the beginning book value of those securities for the following accounting period, the valuation difference included in the profit or loss for the latest accounting period);

(ii) bonds held to maturity: the following matters by category, after bonds have been classified into those whose market value as of the balance sheet date exceeds the amount reported on the balance sheet as of the balance sheet date and those whose market value does not exceed the amount reported on the balance sheet:

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

(b) the market value as of the balance sheet date; and

(c) the difference between the amount reported on the balance sheet as of the balance sheet date and the market value as of the balance sheet date;

(iii) shares in a subsidiary company (excluding shares that fall under trading securities) and shares in an affiliated company (excluding shares that fall under trading securities):

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

(b) the market value as of the balance sheet date; and

(c) the difference between the amount reported on the balance sheet as of the balance sheet date and the market value as of the balance sheet date;

(iv) other securities: the following matters by category, after each class of Securities (meaning shares, bonds and any other securities; the same applies in item (vi)) has been classified into those for which the amount reported on the balance sheet as of the balance sheet date exceeds the acquisition cost and those for which the amount does not exceed the acquisition cost:

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

(b) the acquisition cost; and

(c) the difference between the amount reported on the balance sheet as of the balance sheet date and the acquisition cost;

(v) bonds held to maturity that were sold off during the relevant business year: the cost of the bonds sold, the sale price, the profit or loss on the sale, and the reason for the sale, for each class of bonds; and

(vi) other securities that were sold off during the relevant business year: the sale price, the total amount of profit on the sale, and the total amount of loss on the sale, for each class of securities.

(2) If the purpose of holding trading securities, bonds held to maturity, shares in a subsidiary company, shares in an affiliated company, or other securities has changed during the relevant business year, an entry to that effect, the reason for the change (limited if the purpose of holding bonds held to maturity has changed), and details of the impact of the change on the financial statements must be set down in the notes; provided, however, that notes may be omitted for immaterial matters.

(3) If an impairment loss on securities during the relevant business year has been recognized, an entry 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.

(4) The matters specified in the preceding paragraphs (excluding paragraph (1), item (iii)) are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Derivatives Transactions)

Article 8-8 (1) In addition to the matters specified in Article 8-6-2 (excluding paragraph (7)), with regard to derivatives 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) derivatives transactions to which hedge accounting is not applied: the following matters for each type of subject matter of the transactions (meaning currencies, money rates, shares, bonds, commodities, and any other subject matter of those transactions; the same applies in the following item):

(a) the contract amount as of the balance sheet date or the principal equivalent amount specified in the contract;

(b) the market value and valuation gain or loss as of the balance sheet date; and

(c) the calculation method for the market value; and

(ii) derivatives transactions to which hedge accounting is applied: the following matters for each type of subject matter of the transactions:

(a) the contract amount as of the balance sheet date or the principal equivalent amount specified in the contract;

(b) the market value as of the balance sheet date; and

(c) the calculation method for the market value.

(2) The matters specified in item (i) of the preceding paragraph must be entered after being classified into transaction types (meaning Futures Transactions, options transactions, forward transactions, swap transactions, and any other derivatives transactions; the same applies in the following paragraph), into market transactions and transactions other than market transactions, into

transactions on purchase contracts and those on sale contracts, and into the period from the balance sheet 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 classified into the method of hedge accounting, the type of transaction, the hedged items, and other matters.

(4) The matters specified in paragraph (1) are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Profit or Loss under Equity Method)

Article 8-9 For a company that does not prepare consolidated financial statements, the matters specified in the following items for the respective categories of cases set forth in those items must be set down in the notes; provided, however, that, with regard to the matters specified in item (i), any affiliated company that is not material in terms of its profit or loss the retained earnings and any other items may be excluded:

(i) if there is any affiliated company: the amount of investment in the affiliated company, the amount of investment when the equity method is applied to the investment, and the amount of investment return or investment loss; and

(ii) if there is any special purpose company subject to disclosure (meaning a special purpose company under Article 8, paragraph (7) (limited to one that is presumed not to fall under a subsidiary company of a transferor company, etc. pursuant to the provisions of that paragraph); hereinafter the same applies in this item): an outline of the special purpose company subject to disclosure, an outline of transactions with the special purpose company subject to disclosure, the transaction amounts, and any other material matters.

(Notes on Transactions with Related Parties)

Article 8-10 (1) If a Company Submitting Financial Statements carries out transactions with any related party (the transactions include any transactions which the related party carries out with the company submitting financial statements for the benefit of a third party and any transactions carried out between the company submitting financial statements and a third party wherein the related party exerts a material impact on the company submitting financial statements with regard to the transactions), the following matters must be set down in the notes for each related party, with regard to any of the transactions that are material; provided, however, that this does not apply when the company submitting financial statements prepares consolidated financial statements:

(i) if the related party is a company, etc., its name, location, and stated capital or capital contribution, a description of its business, and the share of voting rights in the related party held by the company submitting financial statements, or the share of voting rights in the company submitting financial statements held by the related party;
(ii) if the related party is an individual, the related party's name and occupation, and the share of voting rights in the company submitting financial statements held by the related party;
(iii) the relationship between the company submitting financial statements and the related party;
(iv) the details of the transactions;
(v) the transaction amount by type of transaction;
(vi) conditions of the transactions and the policy for deciding the conditions of the transactions;
(vii) the ending balances of the separate major account titles pertaining to claims and obligations arising from transactions;
(viii) if there have been any changes in the conditions of the transactions, an entry to that effect, the details of the change, and the details of the impact of the change on the financial statements;
(ix) if claims against the related party are classified as claims with a possibility of default (meaning claims against debtors who have not yet reached a state of business failure, but who face or are very likely to face serious problems in repaying their debts) or as bankruptcy or reorganization claims, etc. (meaning bankruptcy claims, rehabilitation claims, reorganization claims, and other equivalent claims; the same applies hereinafter), the following matters:
(a) the balance of the allowance for doubtful accounts as of the end of the current business year;
(b) additions to the allowance for doubtful accounts, etc. reported for the current business year; and
(c) the bad debt losses, etc. (including any bad debt losses incurred if the claims have been classified as general claims (meaning claims against debtors who are not facing serious problems in their management conditions)); and
(x) if any allowance other than the allowance for doubtful accounts has been established for transactions with the related party, matters equivalent to those set forth in the preceding items regarding any of the allowances that are found appropriate to be set down in the notes.
(2) Notwithstanding the provisions of the main clause 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 8, paragraph (17).
(3) With regard to any of the transactions with a related party that are specified in the following items, the notes prescribed in paragraph (1) are not required:
(i) transactions based on general competitive bidding, receipt of interest on deposits and dividends, and other transactions whose conditions are clearly similar to those of general transactions in light of the nature of the transactions; and
(ii) payment of remuneration, bonuses, and severance packages to officers.
(4) The matters set forth in paragraph (1) must be set down in the notes in accordance with Form No. 1.

(Notes on Parent Company or Any Material Affiliated Company)
Article 8-10-2 (1) If any of the entities set forth in the following items exist for a company submitting financial statements, the matters specified in each of those items must be set down in the notes; provided, however, that this does not apply when the company submitting financial statements prepares consolidated financial statements:
(i) a 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 as prescribed 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), an entry 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, an entry to that effect; and
(ii) a material affiliated company: the name of the Material affiliated company, and the amounts of the following items on its balance sheet and profit and loss statement, on which the amount of investment returns or investment losses has been calculated, when the equity method is applied:
(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 (including revenue from service operations; the same applies hereinafter), the amount of net income for the period before tax or the amount of net loss for the period before tax, 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 the items set forth in item (ii), (a) and (b) of the preceding paragraph may, notwithstanding the provisions of the same paragraph, be entered in either of the following ways; in this case, a statement to that effect must be made:

(i) by entering the combined amounts for the material affiliated companies; or

(ii) by entering the combined amounts for affiliated companies on which the amount of investment returns or investment losses has been calculated, when the equity method is applied.

(Application of Tax Effect Accounting)

Article 8-11 With regard to corporate taxes and any other taxes that are imposed with amounts related to profits as the tax base (hereinafter referred to as "corporate tax, etc."), 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 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 corporate tax, etc. with the applicable amount of corporate tax, etc. through an appropriate inter-period allocation of the amount of corporate tax, etc. pertaining to the differences; the same applies hereinafter).

(Notes on Tax Effect Accounting)

Article 8-12 (1) When tax effect accounting is applied pursuant to the provisions of the preceding Article, the matters set forth in the following items must be set down in the notes:

(i) a breakdown of the 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 corporate tax, etc. for the relevant business year (hereinafter referred to as the "normal effective statutory tax rate" in this Article) and the ratio of corporate tax, etc. (including deferred corporate tax, etc. reported as a result of applying tax effect accounting) to the net income for the period before corporate tax, etc. is deducted (hereinafter referred to as the "corporate tax burden rate, etc. after the Application of tax effect accounting" in this Article), the breakdown of the causes 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 corporate tax, etc., an entry to that effect and the amounts as revised; and

(iv) if there has been a change in the tax rate of any corporate tax, etc. after the closing date, the details of the change and the impact thereof.

(2) If any amount has been deducted from deferred tax assets if 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 corporate tax burden rate, etc. after the application of tax effect accounting is not more than five percent of the normal effective statutory tax rate.

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

Article 8-13 (1) If a defined-benefit plan (meaning a retirement benefit plan other than a defined-contribution plan (meaning a retirement benefit plan whereby a company, etc. accumulates certain premiums outside of the company, etc. and bears no obligation to contribute any additional funds for retirement benefits other than the premiums; the same applies in paragraph (1) of the following Article); the same applies in item (i) and Article 8-13-3, paragraph (1)) 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 retirement benefit reserves and prepaid pension cost reported on the balance sheet, including the amounts of the following items:

(a) the unrecognized actuarial gain/loss;

(b) the unrecognized past service costs; and

(c) others;

(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 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;

(vii) the following matters concerning the actuarial calculation basis:
(a) the discount rate;
(b) the long-term expected rate of return; and
(c) others; and

(viii) any other matters.

(2) Items categorized as those set forth in item (ii), (f), item (iii), (e), and item (v), (f) 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.

(3) The matters specified in paragraph (1) are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

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

Article 8-13-2 (1) If a defined-contribution plan is adopted for retirement benefits, the following matters must be set down in the notes:
(i) an outline of the defined-contribution plan;
(ii) the amount of retirement benefit expenses pertaining to the defined-contribution plan; and
(iii) any other matters.

(2) The matters specified in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

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

Article 8-13-3 (1) Notwithstanding the provisions of Article 8-13, if a defined-benefit plan established by multiple companies, etc. which are employers (hereinafter referred to as a "multi-employer plan" in this paragraph) is adopted for retirement benefits, the matters specified in the following items for the respective categories of cases set forth in those items must be set down in the notes:

(i) if the amount of pension assets of the company submitting financial statements can be reasonably calculated: an outline of the multi-employer plan and the matters set forth in Article 8-13, paragraph (1), items (ii) to (viii); and

(ii) if the amount of pension assets of the company submitting financial statements cannot be reasonably calculated:

(a) an outline of the multi-employer plan;

(b) the amount of retirement benefit expenses pertaining to the multi-employer plan;

(c) the latest accumulation status of the multi-employer plan; and

(d) the proportion of the premiums, the number of subscribers, or the gross pay of the multi-employer plan which the company submitting financial statements accounts for.

(2) The matters that must be set down in the notes pursuant to the provisions of item (i) of the preceding paragraph may be included in the notes set forth in the items of Article 8-13, paragraph (1). In this case, a statement to that effect must be made.

(3) The matters specified in the preceding two paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Granting or Delivery of Stock Options, Share Options in Company, or Shares in Company)

Article 8-14 (1) If a company submitting financial statements has granted stock options or share options in the company or delivered shares in the company, the following matters must be set down in the notes; provided, however, that this does not apply if it is otherwise provided for:

(i) if services have been received, the amount reported as expenses for the relevant business year and the account title thereof;

(ii) if goods have been acquired, the initial amount reported as assets or amount reported as expenses for the transaction, and the account title thereof; and

(iii) if unexercised stock options have been forfeited, the amount reported as profit.

(2) The matters set forth in the preceding paragraph are not required to be entered when a company submitting financial statements prepares

consolidated financial statements.

(Notes on Stock Options)

Article 8-15 (1) In addition to the provisions of the preceding Article, the following matters must be set down in the notes as the details of the stock options, the volume of stock option activity, and changes thereto:

(i) the number of persons granted stock options, for each category, such as officers and workers;

(ii) the number of stock options by share class:

(a) the number of stock options granted;

(b) the number of forfeitures of non-vested stock options in the current business year;

(c) the number of vested stock options in the current business year;

(d) the number of stock options yet to be vested as of the end of the previous business year and as of the end of the current business year;

(e) the number of stock options exercised in the current business year;

(f) the number of forfeitures of unexercised stock options in the current business year; and

(g) the number of vested stock options yet to be exercised as of the end of the previous business year and as of the end of the current business year;

(iii) the grant date;

(iv) vesting conditions (if there are no vesting conditions, an entry to that effect);

(v) the requisite service period (if there is no requisite service period, an entry to that effect);

(vi) the exercise period;

(vii) the exercise price;

(viii) the fair unit value as of the grant date; and

(ix) the average stock price at the time of exercise of the stock options that were exercised during the current business year.

(2) The notes set forth in the preceding paragraph must be entered in either of the following ways:

(i) by entering the notes individually for each contract; or

(ii) by entering the notes collectively for multiple contracts.

(3) Notwithstanding the provisions of the preceding paragraph, notes for the following stock options must not be entered collectively for multiple contracts:

(i) stock options that cannot be regarded generally similar in their classification of persons subject to grants thereof, in the details of their vesting conditions, in their requisite service periods, and in their exercise periods;

(ii) stock options granted before a public offering of shares, and stock options granted after a public offering of shares; and

(iii) stock options with considerably different methods for setting the exercise prices.

(4) With regard to stock options granted during the current business year and stock options whose fair unit value has changed due to changes in conditions during the current business year, the calculation technique used as the method for estimating the fair unit value and the main basic numerical values used along with the method for estimating the values must be entered; provided, however, that the calculation technique used and the method for estimating the main basic numerical values used may be entered collectively for stock options that have used the same methods.

(5) The method for estimating the number of stock options forfeited due to non-attainment of service conditions or performance conditions must be entered as the method for estimating the number of stock options vested.

(6) If an unlisted enterprise has granted stock options, it must enter the valuation method for the shares in the company on which the calculation of the fair unit value is based, as the method for estimating the fair unit value.

(7) If a calculation has been made based on the per-unit intrinsic value (meaning the per-unit value assuming the exercise of stock options, comprised of the difference between the amount at which the shares in the company that constitute the underlying assets of the stock options are valued as of that point in time and the exercise price; hereinafter the same applies in this paragraph) of the stock options, the total amount of the intrinsic value as of the end of the business year, and the total amount of the Intrinsic Value as of the exercise dates of the stock options that were exercised during the relevant business year must be set down in the notes.

(8) If there has been a change in the matters set down in the notes as the details of stock options as a result of the conditions of the stock options having changed, the details of the change must be set down in the notes. If the fair unit value has not been reviewed because the fair unit value of the stock options as of the date that the conditions changed was lower than the fair unit value as of the grant date, an entry to that effect must be set down in the notes.

(9) The matters specified in paragraph (1) through the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Transactions in Which Consideration Consists of Share Options in Company or Shares in Company)

Article 8-16 (1) In addition to what is provided for in Article 8-14, if share options in the company have been granted or shares in the company have been delivered as the consideration for services received or goods acquired, any matters set forth in the items of paragraph (1) of the preceding Article which are relevant must be entered in an equivalent manner as under the same Article. In this case, the details of the services received or the goods acquired, and, if the consideration for the services or the acquisition price of the goods was calculated based on the fair unit value of the services or goods, an entry to that effect must be set down in the notes.

(2) If the granting of share options in the company or the delivery of shares in the company does not have the nature of consideration, a statement to that effect and the grounds for determining that it does not have the nature of consideration must be made.

(3) The matters specified in the preceding two paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

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

Article 8-17 (1) If a business combination has been carried out during the relevant business year through acquisition of another Enterprise or a business segment of another enterprise (excluding the cases prescribed in paragraph (1) of the following Article and the main clause of Article 8-19, paragraph (1)), 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 Financial Statements;

(iii) the acquisition costs of 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) 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;

(vii) the amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof;

(viii) the details of contingent consideration (meaning consideration for the acquisition that is additionally delivered or transferred depending on future events or transaction results that occur after the conclusion of the business combination contract, which is specified in the business combination contract) provided for in the business combination contract and the accounting policy for the relevant business year and thereafter;

(ix) if most of the acquisition costs have 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;

(x) if the allocation of acquisition costs has yet to be completed, an entry to that effect and the reason therefor;

(xi) in the case of a company that does not prepare consolidated financial statements, the estimated effects that would be exerted on the profit and loss statement for the business year if the business combination is assumed to have been completed on the start date of the relevant business year and the calculation method thereof (excluding the cases where the estimated effects are not material).

(2) Notwithstanding the provisions of the preceding paragraph, if the transaction in the business combination is not material, the notes may be omitted; provided, however, that if, the transactions in individual business combinations during the business year are not material, but the transactions in multiple business combinations during the relevant business year are material as a whole, the matters set forth in item (i) and items (iii) to (x) of the preceding paragraph must be set down in the notes for the transactions in the business combinations as a whole.

(3) The estimated effects set forth in paragraph (1), item (xi) are 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 start date of the business year and the amount of sales and the profit and loss information on the 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 start date of the business year.

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

(5) The matters prescribed in paragraph (1), paragraph (2), and the preceding paragraph are not required to be entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes Set Down If Business Combination Resulting in Reverse Acquisition Has Been Implemented)

Article 8-18 (1) If a business combination resulting in reverse acquisition has been carried out during the relevant business year, the matters equivalent to the matters set forth in paragraph (1), items (i) to (x) of the preceding Article and the effects that would be exerted on the balance sheet and the profit and loss statement if the purchase method is assumed to have been applied to the business combination must be set down in the notes.

(2) The effects prescribed in the preceding paragraph are any of the following amounts:

(i) the difference between the amounts for the following items on the balance sheet and the profit and loss statement in the case of applying the purchase method and the amounts for those items on the balance sheet and the profit and loss statement of the company submitting financial statements:

(a) balance sheet items (meaning total assets, total current assets, total fixed assets, total liabilities, total current liabilities, total fixed liabilities, total net assets, and goodwill; the same applies in Article 8-21, paragraph (2), item (i)); and

(b) profit and loss statement items (meaning net sales, the amount of operating income or the amount of operating loss, the amount of ordinary income or the amount of ordinary loss, the amount of net income for the period before tax or the amount of net loss for the period before tax, the amount of net income for the period or the amount of net loss for the period, the goodwill amortization amount, the gain from negative goodwill and the per-share amount of net income for the period or per-share amount of net loss for the period; the same applies in Article 8-21, paragraph (2), item (i)); or

(ii) the amounts for major items on the balance sheet and the profit and loss statement in the case of applying the purchase method.

(3) The matters and the effects prescribed in paragraph (1) are not required to be entered when the enterprise specified in the following items for the respective categories of business combination set forth in those items prepares consolidated financial Statements; in this case, a statement to that effect must be made:

(i) business combination set forth in Article 8, paragraph (36), item (i): company submitting financial statements;

(ii) business combination set forth in Article 8, paragraph (36), item (ii): a company splitting in an absorption-type split or an Enterprise that made a contribution in kind; and

(iii) business combination set forth in Article 8, paragraph (36), item (iii): a wholly owned subsidiary company resulting from a share exchange.

(4) If the notes have been made pursuant to the provisions of paragraph (1), the matters and the effects prescribed in that paragraph must be set down in the notes in and after the business year following the business year in which the business combination was carried out unless the effects become immaterial; provided, however, that if the enterprise specified in the items in the preceding paragraph for the respective categories of business combination set forth in those items has started preparing consolidated financial statements, a statement to that effect must be made in lieu of entering those matters and effects:

(Notes Set Down If Business Combination Resulting in Step Acquisition Has Been Implemented)

Article 8-19 (1) If a business combination through the acquisition of another Enterprise has been carried out during the relevant business year through multiple transactions, the following matters must be set down in the notes; provided, however, that they are not required to be entered when the combined enterprise prepares consolidated financial statements:

(i) the matters equivalent to the matters set forth in the items of Article 8-17, paragraph (1);

(ii) the difference between the total amount of the acquisition costs of the respective transactions leading to the acquisition by the acquiring enterprise and the acquisition cost of the acquired enterprise calculated using the market value of the acquisition costs as of the date of the business combination; and

(iii) the effects on the balance sheet and the profit and loss statement if the difference set forth in the preceding item is treated as a profit or loss.

(2) If the notes have been made pursuant to the provisions of the main clause of the preceding paragraph, the matters set forth in the items of that paragraph must be set down in the notes in and after the business year following the business year in which the business combination was carried out unless the effects become immaterial; provided, however, that if the combined enterprise has started preparing consolidated financial statements, they are not required to be entered.

(Notes on Common Control Transactions)

Article 8-20 (1) If a common control transaction, etc. has been carried out during the relevant business 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; and

(iii) in the case of having additionally acquired subsidiary company shares, the matters equivalent to those set forth in Article 8-17, paragraph (1), items (iii), (iv), and (viii).

(2) Notwithstanding the provisions of the preceding paragraph, if the common control transaction, etc. is not material, the notes may be omitted; provided, however, that if, individual common control transactions, etc. during the relevant business year are not material, but the multiple common control transactions, etc. during the relevant business year are material as a whole, the matters set forth in the items of that paragraph must be entered for the common control transactions, etc. as a whole.

(3) The matters specified in the preceding two paragraphs are not required to be entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes Set Down If Subsidiary Company Has Absorbed Its Parent Company through Absorption-Type Merger)

Article 8-21 (1) If a subsidiary company has absorbed its parent company through an absorption-type merger, if the subsidiary company, which is the company submitting financial statements, does not prepare consolidated financial statements, the effects that would have been exerted during the relevant business year in the case of assuming that the parent company has become the surviving company must be set down in the notes; provided, however, that if the effects are immaterial, the notes may be omitted.

(2) The effects prescribed in the preceding paragraph are any of the following amounts:

(i) the differences between the amounts of balance sheet items and the profit and loss statement items in the case of assuming that the parent company has absorbed the subsidiary company through an absorption-type merger and the amounts for those items of the surviving company; or

(ii) the amounts for major items on the balance sheet and the profit and loss statement in the case of assuming that the parent company has absorbed the subsidiary company through an absorption-type merger.

(3) If the notes have been made pursuant to the provisions of the main clause of paragraph (1), the effects prescribed in that paragraph must be set down in the notes in and after the business year following the business year in which the business combination was carried out unless the effects become immaterial; provided, however, that if the subsidiary company has started preparing consolidated financial statements, they are not required to be entered.

(Notes on Formation of Jointly Controlled Enterprises)

Article 8-22 (1) If a business combination forming a jointly controlled enterprise (hereinafter referred to as a "formation of a jointly controlled enterprise" in

this Article and paragraph (1) of the following Article) has been carried out during the relevant business year, the following matters must be set down in the notes:
(i) the outline of the transaction; and
(ii) the outline of the implemented accounting processes.
(2) Notwithstanding the provisions of the preceding paragraph, if the transaction in the formation of a jointly controlled enterprise is not material, the notes may be omitted; provided, however, that if the transactions in the individual formations of a jointly controlled enterprise during the relevant business year are not material, but the transactions in multiple formations of a jointly controlled enterprise during the relevant business year are material as a whole, the matters set forth in that paragraph must be set down in the notes for the transactions in business combinations as a whole.
(3) The matters specified in the preceding two paragraphs are not required to be entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes by Divesting Enterprise in Business Divestitures)
Article 8-23 (1) If a business divestiture has been carried out during the current business year, and the business divestiture falls under neither a common control transaction, etc. nor as the formation of a jointly controlled enterprise, the following matters must be set down in the notes:
(i) the name of the divested enterprise, a description of the divested business, the main reason for carrying out the business divestiture, the date of the business divestiture, and an outline of the business divestiture including the legal form thereof;
(ii) an outline of the implemented accounting processes:
(a) if any gain or loss on transfer has been recognized, the amount thereof, the fair book values of the assets and liabilities of the transferred business, and the major breakdown thereof; or
(b) if no gain or loss on transfer has been recognized, an entry to that effect, the type of consideration received, the fair book values of the assets and liabilities of the transferred business, and the major breakdown thereof;
(iii) the name of the reporting segment (meaning a reporting segment prescribed in Article 8-29, paragraph (1)) in which the divested business was included;
(iv) the estimated amount of profit or loss of the divested business, which is reported on the profit and loss statement for the relevant business 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 divested enterprise shares being held as shares in a subsidiary company or shares in

an affiliated company, an outline of the continuing involvement.

(2) The entry set forth in item (iv) of the preceding paragraph may be omitted if the continuing involvement is immaterial.

(3) Notwithstanding the provisions of paragraph (1), if the effects of the business divestiture are not material, the notes may be omitted; provided, however, that if, individual transactions are not material, but the transactions carried out during the business year in which the business divestitures were implemented are material as a whole, the matters set forth in items (i) and (ii) of that paragraph must be set down in the notes for the transactions as a whole.

(4) The matters specified in paragraph (1) and the preceding paragraph are not required to be entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes by Successor Enterprise in Business Divestures)

Article 8-24 (1) If a business divestiture does not fall under a business combination, the Successor Enterprise must set down in the notes the following matters:

(i) the outline of the transaction;

(ii) the outline of the implemented accounting processes; and

(iii) the breakdown of the assets, liabilities and net assets succeeded from the divesting enterprise.

(2) The matters prescribed in the preceding paragraph are not required to be entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

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

Article 8-25 (1) If a business combination that has been completed after the balance sheet date or a business combination wherein an agreement has been reached on major conditions after the balance sheet date falls under a material post-balance sheet event, the matters concerning the business combination must be set down in the notes in an equivalent manner as under the provisions of Article 8-17 (excluding items (ii), (x) and (xi) of paragraph (1)), Article 8-20 or Article 8-22; provided, however, that any matters that have yet to be determined are not required to be entered.

(2) If a business combination wherein an agreement has been reached on major conditions by the balance sheet date has not been completed by that date (excluding the cases prescribed in the preceding paragraph), the matters concerning the business combination must be set down in the notes in an equivalent manner as under the provisions of the preceding paragraph.

(3) The matters specified in the preceding two paragraphs are not required to be

entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

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

Article 8-26 (1) In the cases set forth in the following items, the divesting enterprise must set down in the notes the matters specified in those items for the business divesture:

(i) if a business divesture that was completed after the balance sheet date falls under a material post-balance sheet event: the matters equivalent to the matters set forth in the items of Article 8-23, paragraph (1);

(ii) if a business divesture wherein an agreement was reached on major conditions after the balance sheet date falls under a material post-balance sheet event: the matters equivalent to the matters set forth in Article 8-23, paragraph (1), items (i) and (iii); and

(iii) if a business divesture wherein an agreement was reached on major conditions by the balance sheet 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 8-23, paragraph (1), items (i) and (iii).

(2) The matters specified in the items of the preceding paragraph are not required to be entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes on Going Concern Assumption)

Article 8-27 If, as of the balance sheet date, there is an event or circumstance that would raise material doubt about an assumption that the company will stay in business in the future (hereinafter referred to as the "going concern assumption"), material uncertainty on the going concern assumption is still recognized even after measures for eliminating or improving that event or circumstance are taken, the following matters must be set down in the notes; provided, however, that if the material uncertainty ceases to be recognized after the balance sheet date, they are not required to be set down in the notes:

(i) an entry to the effect that the relevant event or circumstance exists, and details thereof;

(ii) the response measures for eliminating or improving the relevant event or circumstance;

(iii) a statement to the effect that the relevant material uncertainty is recognized and the reason therefor; and

(iv) whether or not the impact of the relevant material uncertainty is reflected in the financial statements.

(Notes on Asset Retirement Obligations)

Article 8-28 (1) With regard to asset retirement obligations, the matters specified in the following items for the respective categories of asset retirement obligations set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) any asset retirement obligations that are reported on the balance sheet: the matters set forth in (a) to (d) below:

(a) an outline of the asset retirement obligations;

(b) the calculation method of the amounts of the asset retirement obligations;

(c) the increase or decrease in the total amount of the asset retirement obligations during the relevant business year; and

(d) if an estimated amount of asset retirement obligations has been changed, an entry to that effect, the details of the change, and its effects;

(ii) asset retirement obligations other than those set forth in the preceding item: the matters set forth in (a) to (c) below:

(a) an entry to the effect that the amounts of the asset retirement obligations are not reported on the balance sheet;

(b) the reason for not reporting the amounts of the asset retirement obligations; and

(c) an outline of the asset retirement obligations.

(2) The matters specified in the items of the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Segment Information)

Article 8-29 (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. 2:

(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 balance sheet or the amounts reported on the 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. 3), 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 balance sheet or the profit and loss statement, the outline for each reporting segment must be set down in the notes in accordance with Form No. 4:
(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.

(5) The matters set forth in the items of paragraph (1) and the items of paragraph (2) and the outline prescribed in paragraph (3) are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Rental Real Properties)

Article 8-30 (1) 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 paragraph), 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 balance sheet and any major change during the relevant business year;
(iii) the market value of any rental, etc. real property as of the balance sheet date and the method of calculation of the market value; and
(iv) the profit or loss concerning any rental, etc. real property.

(2) The matters prescribed in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notation Methods)

Article 9 (1) The notes under Article 8-2 must be included immediately after the cash flow statement.

(2) The notes under Articles 8-3 and 8-3-2 must be included immediately after the notes under Article 8-2.

(3) The notes to be included pursuant to the provisions of this Regulation (excluding the notes under Articles 8-2 to 8-3-2) must be included immediately after the notes under Articles 8-3 and 8-3-2, except for those 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 Financial Statements in which the matters pertaining to the notes are entered; the same applies hereinafter); provided, however, that matters related to the notes under Article 8-2 may be entered together therewith.

(4) Notwithstanding the provisions of the preceding paragraph, the notes under Article 8-27 must be included immediately after the cash flow statement. In this case, notwithstanding the provisions of paragraph (1), the notes under Article 8-2 must be included immediately after the notes under Article 8-27.

(5) If notes that are related to a specific account title are included 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.

Article 10 If, for financial statements that are to be submitted pursuant to the provisions of the Act by a stock company or a designated corporation engaged in a business to which the provisions of Article 2 apply, there are matters that are identical to those that must be set down in the notes pursuant to the provisions of this Regulation, notes under this Regulation must be included for those matters, notwithstanding the provisions of laws, regulations, or rules when there are special provisions of law or regulations as provided for in the main clause of Article 2; provided, however, that this does not apply to matters that the Commissioner of the Financial Services Agency finds inappropriate to be included in the notes with regard to a specific business, and in regard to which the Commissioner has given special instructions to that effect.

Article 10-2 If, for financial statements to be prepared for specified trust property, there are matters that are identical to those that must be set down in the notes pursuant to the provisions of this Regulation, notes under this Regulation must be included for those matters, notwithstanding the provisions of the special purpose trust property accounting regulation or the investment trust Property accounting regulation; provided, however, that this does not apply to matters that the Commissioner of the Financial Services Agency finds inappropriate to be included in the notes, and in regard to which the Commissioner has given special instructions to that effect.

(Units for Presenting Amounts)

Article 10-3 The amounts for the account titles and any other matters contained in financial statements are to be presented in units of million yen or thousand yen.

Chapter II Balance Sheets
Section 1 General Provisions

(Methods of Entry in Balance Sheet)
Article 11 (1) The methods of entry in a balance sheet are in accordance with the provisions of this Chapter.
(2) Entries in the balance sheet are to be made in accordance with Form No. 5.

(Classification of Assets, Liabilities, and Net Assets)
Article 12 Assets, liabilities, and net assets must be entered after being classified into the assets section, liabilities section, and net assets section, respectively.

Article 13 The arrangement of account titles for assets and liabilities is to be done by current arrangement.

Section 2 Assets

Division 1 General Provisions

(Classification of Assets)
Article 14 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.

Division 2 Current Assets

(Scope of Current Assets)
Article 15 The following assets are to be categorized as current assets:
(i) cash and deposits; provided, however, that this excludes deposits that are not to mature within one year;
(ii) negotiable instruments receivable (meaning claims on negotiable instruments that have arisen based on ordinary transactions; provided, however, that this excludes bankruptcy or reorganization claims, etc. that are clearly not able to be called within one year; the same applies hereinafter);
(ii)-2 electronically recorded monetary claims (meaning electronically recorded monetary claim prescribed in Article 2, paragraph (1) of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007); the same applies in Article 31-5, Article 47, item (i)-2 and Article 51-5; provided, however, that

this excludes the claims that are bankruptcy or reorganization claims, etc. which are clearly not able to be called within one year) that have arisen based on ordinary transactions;

(iii) accounts receivable (meaning amounts receivable in the course of business, which have arisen based on ordinary transactions; provided, however, that this excludes bankruptcy or reorganization claims, etc. that are clearly not able to be called within one year; the same applies hereinafter);

(iv) trading securities, and securities which are to mature within one year;

(v) merchandise (including land, buildings, and any other real property owned for the purpose of sale; the same applies hereinafter);

(vi) manufactured goods, by-products, and scraps;

(vii) semi-finished goods (including self-made parts);

(viii) raw materials and materials (including purchased parts);

(ix) work in progress and partly-finished work;

(x) consumable goods, consumable tools, instruments, equipment, and other supplies of reasonable value;

(xi) advance payments (meaning advance payments for purchasing merchandise and raw materials (including any equivalents thereof); provided, however, that this excludes bankruptcy or reorganization claims, etc. that are clearly not able to be called within one year; the same applies in Article 17, paragraph (1), item (x)); and

(xii) any other assets that are recognized as being convertible into cash within one year.

Article 16 Prepaid expenses that should be expended within one year and accrued revenues are to be categorized as current assets.

Article 16-2 deferred tax assets associated with assets categorized as current assets or liabilities categorized as current liabilities are to be categorized as current assets. The same applies to deferred tax assets that are not associated with particular assets or liabilities, and that are recognized to be reversed within one year.

Article 16-3 (1) Lease receivables in ownership-transfer finance lease transactions (meaning finance lease transactions wherein the ownership of the leased property is recognized as being transferred to the lessee in light of the conditions under the lease contract; the same applies hereinafter) and lease investment assets in non-ownership-transfer finance lease transactions (meaning finance lease transactions other than ownership-transfer finance lease transactions; the same applies hereinafter) that have arisen based on ordinary transactions (excluding bankruptcy or reorganization claims, etc. that are clearly not able to be called within one year) are to be categorized as current assets.

(2) Lease receivables in ownership-transfer finance lease transactions and lease investment assets in non-ownership-transfer finance lease transactions that have arisen based on transactions other than ordinary transactions and that are to mature within one year are to be categorized as current assets.

(Separate Presentation of Current Assets)

Article 17 (1) Assets categorized as current assets must be set down under account titles with names that are indicative of those assets, in accordance with the following classification of items:

(i) cash and deposits;

(ii) negotiable instruments receivable;

(iii) accounts receivable;

(iv) lease receivables (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);

(v) 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);

(vi) securities;

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

(viii) work in progress;

(ix) raw materials and supplies;

(x) advance payments;

(xi) prepaid expenses;

(xii) deferred tax assets; and

(xiii) others.

(2) If it is found appropriate to present assets categorized under any of the items set forth in the items of the preceding paragraph 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) Notwithstanding the provisions of paragraph (1), assets categorized under the items set forth in items (vii) to (ix) 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.

Article 18 Shares in the parent company (limited to those acquired pursuant to the provisions of Article 135, paragraph (2) and Article 800, paragraph (1) of the Companies Act; the same applies in Article 31, item (i) and Article 32-2) that are recognized as shares to be disposed of within one year must be set down separately under the account title of shares in the parent company in current assets; provided, however, that the shares may be set down in the notes if the amount of the shares is immaterial.

Article 19 Among assets categorized under the item set forth in Article 17, paragraph (1), item (xiii), any accrued revenue, short-term loans (including a finance negotiable instrument), short-term receivable from a shareholder, officer, or worker, or any other asset whose amount exceeds five percent of the total amount of assets must be set down under an account title with a name that is indicative of that asset.

(Presentation of Allowances for Current Assets)
Article 20 (1) Allowances for the assets categorized as current assets must be, as contra-asset account titles corresponding to the relevant account titles, set down under the account title of allowances for doubtful accounts, or under any other account title with a name that is indicative of the purpose of the allowance's establishment, for each of the account titles; provided, however, that this does not preclude those allowances from being set down in any of the following ways:
(i) by setting down those allowances collectively as a contra-asset account title corresponding to those asset account titles; or
(ii) by directly deducting those allowances from the amounts of the relevant assets, and presenting the balances after the deduction as the amounts of each of the assets.
(2) In the cases referred to in item (ii) of the preceding paragraph, the allowances must be set down in the notes, either for each of the relevant asset account titles or collectively.
(3) The matters prescribed in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

Article 21 Deleted.

Division 3 Fixed Assets

(Scope of Tangible Fixed Assets)
Article 22 The following assets (provided, however, that the assets set forth in items (i) to (viii) are limited to those provided for use in business) are to be categorized as tangible fixed assets:
(i) buildings and the equipment attached thereto, such as heating, illumination,

and ventilation;

(ii) structures (meaning docks, bridges, quays, piers, tracks, reservoirs, tunnels, chimneys, and other public works facilities or structures fixed on land; the same applies hereinafter);

(iii) machinery and devices, as well as conveyance equipment such as conveyors, hoists, and cranes, and any other equipment attached thereto;

(iv) vessels and water delivery equipment;

(v) railway vehicles, cars, and other land delivery equipment;

(vi) tools, instruments, and equipment; provided, however, that they are limited to those durable for one year or more;

(vii) land;

(viii) leased assets (limited to assets for which the company submitting financial statements is the lessee of the leased property in finance lease transactions, and when the leased property is any of the objects set forth in the preceding items or in item (x));

(ix) construction in progress (meaning expenditures in the case of constructing an object to be provided for use in business by using any of the assets set forth in items (i) to (vii), and the materials that have been allocated for the purpose of the construction; the same applies in the following Article); and

(x) any other tangible assets that are not categorized as current assets or assets that are investments.

(Separate Presentation of Tangible Fixed Assets)

Article 23 (1) Assets categorized as tangible fixed assets must be set down under account titles with names that are indicative of the assets, in accordance with the following classification of items:

(i) buildings (including the equipment attached thereto; the same applies hereinafter);

(ii) structures;

(iii) machinery and devices (including the equipment attached thereto; the same applies hereinafter);

(iv) vessels (including water delivery equipment; the same applies hereinafter);

(v) vehicles and other land delivery equipment;

(vi) tools, instruments, and equipment;

(vii) land;

(viii) leased assets (limited to assets for which the company submitting financial statements is the lessee of the leased property in finance lease transactions, and when the leased property is any of the objects set forth in the preceding items or in item (x));

(ix) construction in progress; and

(x) others.

(2) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the case set forth in the preceding paragraph.
(3) Notwithstanding the provisions of paragraph (1), assets categorized as the leased assets set forth in item (viii) of that paragraph may be included in any of the items set forth in the items of that paragraph (excluding items (viii) and (ix)).

Article 24 Among the assets set forth in paragraph (1), item (x) of the preceding Article, any asset whose amount exceeds five percent of the total amount of assets must be set down under an account title with a name that is indicative of the asset.

(Presentation of Amounts of Accumulated Depreciation)
Article 25 Beyond the cases under the following Article, the amounts of accumulated depreciation for the buildings, structures, machinery, and devices, vessels, vehicles, and other land delivery equipment, tools, instruments, and equipment, leased assets, or any other tangible fixed assets set forth in the items of Article 23, paragraph (1) must be set down under account titles for accumulated depreciation, as the cross-asset account titles corresponding to the relevant account titles; provided, however, that this does not preclude them from being set down collectively as the cross-asset account title corresponding to the fixed assets.

Article 26 (1) The amounts of accumulated depreciation for the buildings, structures, machinery and devices, vessels, vehicles, and other land delivery equipment, tools, instruments, and equipment, leased assets, or any other tangible fixed assets set forth in the items of Article 23, paragraph (1) may be directly deducted from the amounts of the respective assets, and the balances after those deductions may be presented as the amounts of each of the assets. In this case, the amounts of accumulated depreciation must be set down in the notes, either for the asset account title of each of the assets or collectively.
(2) The matters prescribed in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Presentation of Amounts of Accumulated Impairment Loss)
Article 26-2 (1) Beyond the cases under the following paragraph and paragraph (3), the amounts of accumulated impairment loss for tangible fixed assets must be directly deducted from the amounts of each of the relevant assets (if the amounts of accumulated depreciation for tangible fixed assets have been directly deducted from the amounts of the assets pursuant to the provisions of

the preceding Article, the amounts after the deduction), and the balances after the deductions must be presented as the amounts of each of the assets.

(2) The amounts of accumulated impairment loss for tangible fixed assets to be depreciated may be set down as contra-asset account titles corresponding to each of the relevant account titles, under the account title of amounts of accumulated impairment loss; provided, however, that this does not preclude them from being set down collectively as a cross-asset account title corresponding to the fixed assets.

(3) If the amounts of accumulated depreciation and the amounts of accumulated impairment loss are set down pursuant to the provisions of Article 25 and the preceding paragraph as contra-asset account titles, the amounts of accumulated impairment loss may be combined with the amounts of accumulated depreciation, and be set down under the account title of amounts of accumulated depreciation.

(4) In the cases set forth in the preceding paragraph, an entry to the effect that the amounts of accumulated impairment loss are included in the amounts of accumulated depreciation must be set down in the notes.

(5) The matters prescribed in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Scope of Intangible Fixed Assets)

Article 27 The following assets are to be categorized as intangible fixed assets:

(i) goodwill;

(ii) patent rights;

(iii) leasehold rights;

(iv) surface rights;

(v) trademark rights;

(vi) utility model rights;

(vii) design rights;

(viii) mining rights;

(ix) fishing rights;

(x) commons of piscary;

(xi) software;

(xii) leased assets (limited to assets for which the company submitting financial statements is the lessee of the leased property in a finance lease transaction, and to the cases where the leased property is any of the objects set forth in item (ii) through the preceding item and the following item); and

(xiii) any other intangible assets that are not categorized as current assets or assets that are investments.

(Separate Presentation of Intangible Fixed Assets)

Article 28 (1) Assets categorized as intangible fixed assets must be set down under account titles with names that are indicative of the assets, in accordance with the following classification of items:

(i) goodwill;

(ii) patent rights;

(iii) leasehold rights (including surface rights);

(iv) trademark rights;

(v) utility model rights;

(vi) design rights;

(vii) mining rights;

(viii) fishing rights (including commons of piscary);

(ix) software;

(x) leased assets (limited to assets for which the company submitting financial statements is the lessee of the leased property in a finance lease transaction and to the cases where the leased property is any of the objects set forth in item (ii) to the preceding item and the following item); and

(xi) others.

(2) The provisions of Article 17, 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 (x) of that paragraph may be included in any of the items set forth in the items of that paragraph (excluding items (i) and (x)).

Article 29 Among the assets set forth in paragraph (1), item (xi) of the preceding Article, any asset whose amount exceeds five percent of the total amount of assets must be set down under an account title with a name that is indicative of the asset.

Article 30 The amounts of accumulated amortization and the amounts of accumulated impairment loss for intangible fixed assets must be directly deducted from the amounts of the intangible fixed assets, and the balances after those deductions must be presented as the amounts of each of the intangible fixed assets.

(Scope of Investments and Other Assets)

Article 31 The following assets are to be categorized as investments and other assets:

(i) shares in an associated company (excluding shares that fall under trading securities, and excluding Shares in the parent company; the same applies hereinafter) and securities that are not categorized as current assets;

(ii) capital investments;
(iii) long-term loans;
(iv) prepaid pension cost; and
(v) beyond what is set forth in the preceding items, long-term assets other than those categorized as current assets, tangible fixed assets, intangible fixed assets, or deferred assets.

Article 31-2 Prepaid expenses other than those prescribed in Article 16 are to be categorized as investments and other assets.

Article 31-3 deferred tax assets other than those prescribed in Article 16-2 are to be categorized as investments and other assets.

Article 31-4 Lease receivables in ownership-transfer finance lease transactions and lease investment assets in non-ownership-transfer finance lease transactions other than those prescribed in Article 16-3 are to be categorized as investments and other assets.

Article 31-5 Electronically recorded monetary claims other than those which fall under assets set forth in Article 15, items (ii)-2 and (xii) are to be categorized as investments and other assets.

(Separate Presentation of Investments and Other Assets)
Article 32 (1) Assets categorized as investments and other assets must be set down under account titles with names that are indicative of the assets, in accordance with the following classification of items:
(i) investment securities; provided, however, that this excludes shares in an associated company, bonds in an associated company, and other securities in an associated company (meaning Securities in an associated company that are other than shares in an associated company and bonds in an associated company; hereinafter the same applies in this paragraph);
(ii) shares in an associated company;
(iii) bonds in an associated company;
(iv) other securities in an associated company;
(v) capital investments; provided, however, that this excludes capital investments in associated companies;
(vi) capital investments in associated companies;
(vii) long-term loans; provided, however, that this excludes long-term loans to shareholders, officers, workers, or associated companies;
(viii) long-term loans to shareholders, officers, and workers;
(ix) long-term loans to associated companies;

(x) bankruptcy or reorganization claims, etc.;
(xi) long-term prepaid expenses;
(xii) prepaid pension cost;
(xiii) deferred tax assets; and
(xiv) others.

(2) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the cases set forth in the preceding paragraph.

Article 32-2 Shares in the parent company other than those prescribed in Article 18 must be set down separately in investments and other assets under the account title of shares in the parent company; provided, however, that the shares may be set down in the notes if the amount of the shares is immaterial.

Article 32-3 deferred tax assets related to a revaluation as 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") must be set down separately in investments and other assets under the account title of deferred tax assets related to revaluation.

Article 33 Among the assets set forth in Article 32, paragraph (1), item (xiv), any real property for investment (meaning land, buildings, or any other real property owned for the purpose of investment), deposits that are not to mature within one year, or any other asset whose amount exceeds five percent of the total amount of assets must be set down under an account title with a name that is indicative of the asset.

(Presentation of Allowances for Investments and Other Assets)
Article 34 The provisions of Article 20 apply mutatis mutandis to allowances for assets categorized as investments and other assets.

Article 35 Deleted.

Division 4 Deferred Assets

(Scope of Deferred Assets)
Article 36 Deferred organization expenses, business commencement expenses, stock issuance expenses, corporate bond issuance expenses, and development expenses are to be categorized as deferred assets.

(Separate Presentation of Deferred Assets)
Article 37 (1) Assets categorized as deferred assets must be set down under

account titles with names that are indicative of the assets, in accordance with the following classification of items:

(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 17, paragraph (2) apply mutatis mutandis to the cases set forth in the preceding paragraph.

Article 38 The amounts of accumulated amortization for deferred assets must be directly deducted from the amounts of the deferred assets, and the balances after those deductions must be presented as the amounts of each of the deferred assets.

Division 5 Miscellaneous Provisions

(Notes on Assets Receivable from Associated Companies)

Article 39 (1) If the combined total of negotiable instruments receivable and accounts receivable that have arisen based on transactions with associated companies exceeds five percent of the total amount of assets, the amount of the negotiable instruments receivable and the amount of the accounts receivable must be each set down in the notes; provided, however, that if either the amount of negotiable instruments receivable or the amount of accounts receivable from associated companies is no more than five percent of the total amount of assets, it is permissible to enter only the combined total of these amounts in the notes.

(2) With regard to claims (excluding negotiable instruments receivable, accounts receivable, and claims that are set down by classifications under the provisions of Article 32, paragraph (1)), goods in transit, consignments, prepaid expenses, or accrued revenues that have arisen based on transactions with associated companies whose amount exceeds five percent of the total amount of assets, the amount thereof must be set down in the notes.

(3) If the total amount of the assets receivable from associated companies prescribed in the preceding two paragraphs other than those that have been set down in the notes pursuant to the provisions of the preceding two paragraphs exceeds five percent of the total amount of assets, an entry to that effect and the amount thereof must be set down in the notes.

Article 40 Deleted.

Article 41 Deleted.

(Notes on Revaluation of Land for Business Use)

Article 42 (1) If a revaluation of land for business use has been carried out pursuant to the provisions of the Land Revaluation Act, an entry to that effect, the method of revaluation prescribed in Article 3, paragraph (3) of that Act, the date of the revaluation, and the book values of the land for business use before and after the revaluation must be set down in the notes.

(2) If a company, etc. has land for business use that has been revaluated pursuant to the provisions of the Land Revaluation Act, an entry to that effect, the method of revaluation prescribed in Article 3, paragraph (3) of that Act, the date of the revaluation, and the difference prescribed in Article 10 of that Act must be set down in the notes.

(3) The matters prescribed in the preceding two paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Collateral Assets)

Article 43 If any assets have been provided as collateral, an entry to that effect must be set down in the notes.

Article 44 Deleted.

Section 3 Liabilities

Division 1 General Provisions

(Classification of Liabilities)

Article 45 Liabilities must be entered after being classified into current liabilities and fixed liabilities.

Article 46 Deleted.

Division 2 Current Liabilities

(Scope of Current Liabilities)

Article 47 The following liabilities are to be categorized as current liabilities:

(i) negotiable instruments payable (meaning debts on negotiable instruments that have arisen based on ordinary transactions; the same applies hereinafter);

(i)-2 debts pertaining to electronically recorded monetary claims (limited to

those which have arisen based on ordinary transactions);
(ii) accounts payable (meaning amounts payable in the course of business that have arisen based on ordinary transactions; the same applies hereinafter);
(iii) Advances Received (meaning advances received in relation to orders received for construction work, orders received for goods, etc.; the same applies hereinafter);
(iv) allowances (excluding allowances for assets; hereinafter the same applies in this Division and Division 3); provided, however, that this excludes those that are recognized not to be used within one year;
(v) amounts payable or deposits received that have arisen in relation to ordinary transactions, which are, as a general trade practice, paid within a short period after arising; and
(vi) any other liabilities that are recognized to be paid or repaid within one year.

Article 48 Accrued expenses and unearned revenues are to be categorized as current liabilities.

Article 48-2 deferred tax liabilities that are associated with assets categorized as current assets or with liabilities categorized as current liabilities are to be categorized as current liabilities. The same applies to deferred tax liabilities that are not associated with particular assets or liabilities, and that are recognized to be reversed within one year.

Article 48-3 Lease obligations under finance lease transactions that are to mature within one year are to be categorized as current liabilities.

Article 48-4 asset retirement obligations that are recognized to be performed within one year are to be categorized as current liabilities.

(Separate Presentation of Current Liabilities)
Article 49 (1) Liabilities categorized as current liabilities must be set down under account titles with names that are indicative of the liabilities, in accordance with the following classification of items; provided, however, that any dividends payable or past-due outstanding corporate bonds whose amount exceeds five percent of the combined total of liabilities and net assets must be set down separately under an account title with a name that is indicative of the liability:
(i) negotiable instruments payable;
(ii) accounts payable;
(iii) short-term borrowings (including finance negotiable instruments and

overdrafts; the same applies hereinafter); provided, however, that this excludes short-term borrowings from shareholders, officers, or workers;
(iv) lease obligations;
(v) amounts payable;
(vi) accrued expenses;
(vii) accrued corporate tax, etc.;
(viii) deferred tax liabilities;
(ix) Advances Received;
(x) deposits received; provided, however, that this excludes deposits received from shareholders, officers, or workers;
(xi) unearned revenues;
(xii) allowances;
(xiii) asset retirement obligations; and
(xiv) others.

(2) If it is found to be appropriate to present liabilities categorized under any of the items set forth in the items of the preceding paragraph separately, the provisions of that paragraph do not preclude the liabilities from being set down separately under an account title with a name that is indicative of the liabilities.

(3) Accrued corporate tax, etc. as set forth in paragraph (1), item (vii) means accrued amounts of corporate 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 (xii) must be set down under the account title of reserves for repairs, or any other account title with a name that is indicative of the purpose of establishment of the allowance.

Article 50 Among the liabilities categorized as items set forth in paragraph (1), item (xiv) of the preceding Article, any short-term debt such as a short-term borrowing from a shareholder, officer or worker, or any other liability 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 the liability.

Division 3 Fixed Liabilities

(Scope of Fixed Liabilities)

Article 51 Corporate bonds, long-term borrowings, long-term borrowings from associated companies, allowances (excluding the allowances set forth in Article 47, item (iv)), and any other liabilities that are not categorized as current liabilities are to be categorized as fixed liabilities.

Article 51-2 deferred tax liabilities other than those prescribed in Article 48-2 are to be categorized as fixed liabilities.

Article 51-3 Lease obligations under finance lease transactions other than those prescribed in Article 48-3 are to be categorized as fixed liabilities.

Article 51-4 asset retirement obligations other than those prescribed in Article 48-4 are to be categorized as fixed liabilities.

Article 51-5 Debts pertaining to electronically recorded monetary claims other than those which fall under liabilities set forth in Article 47, items (i)-2 and (vi) are to be categorized as fixed liabilities.

(Separate Presentation of Fixed Liabilities)
Article 52 (1) Liabilities categorized as fixed liabilities must be set down under account titles with names that are indicative of the liabilities, in accordance with the following classification of items:
(i) corporate bonds;
(ii) long-term borrowings (including finance negotiable instruments; the same applies hereinafter); provided, however, that this excludes long-term borrowings from shareholders, officers, workers, or associated companies;
(iii) long-term borrowings from associated companies;
(iv) lease obligations;
(v) deferred tax liabilities;
(vi) allowances;
(vii) asset retirement obligations; and
(viii) others.
(2) The provisions of Article 49, paragraph (2) apply mutatis mutandis in the case of the preceding paragraph.
(3) The allowances set forth in paragraph (1), item (vi) must be set down under the account title of reserves for retirement benefits or any other account title with a name that is indicative of the purpose for which the allowance was established.

Article 52-2 deferred tax liabilities pertaining to the revaluation prescribed in Article 7, paragraph (1) of the Land Revaluation Act must be set down separately in fixed liabilities under the account title of deferred tax liabilities pertaining to a revaluation.

Article 53 Among the liabilities classified under the item set forth in Article 52, paragraph (1), item (viii), any long-term borrowings from a shareholder, officer, or worker, or any other liability whose amount exceeds five percent of the combined total of liabilities and net assets must be set down under an account title with a name that is indicative of the liability.

Division 4 Miscellaneous Provisions

(Presentation of Deferred Tax Assets and Deferred Tax Liabilities)

Article 54 (1) If a company, etc. has the deferred tax assets set forth in Article 17, paragraph (1), item (xii) and the deferred tax liabilities set forth in Article 49, paragraph (1), item (viii), the difference between them must be presented as deferred tax assets or deferred tax liabilities under current assets or under current liabilities.

(2) If a company, etc. has the deferred tax assets set forth in Article 32, paragraph (1), item (xiii) and the deferred tax liabilities set forth in Article 52, paragraph (1), item (v), the difference between them 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 54-3 (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 it is inappropriate to report 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 13 and 45.

(2) reserves, etc. must be set down under an account title with a name that is indicative of 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) The distinction of whether or not it is recognized that reserves, etc. are 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.

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

Article 54-4 (1) If a company, etc. has inventory assets and reserves for losses on construction contracts with regard to a single construction contract, the difference obtained by offsetting one against the other may be presented as inventory assets or reserves for losses on construction contracts under current assets or under current liabilities.

(2) If a company, etc. has inventory assets and reserves for losses on construction contracts with regard to a single construction contract, the matters specified in the following items for the respective categories of cases set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) if inventory assets and reserves for losses on construction contracts with regard to a single construction contract are presented without offsetting one against the other: an entry to that effect and the amount of the inventory assets corresponding to the reserves for losses on construction contracts; and

(ii) if inventory assets and reserves for losses on construction contracts with regard to a single construction contract are presented as the amount of the difference obtained by offsetting one against the other pursuant to the provisions of the preceding paragraph: the fact that the offsetting has been carried out and the amount of inventory assets after the offsetting.

(3) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the inventory assets prescribed in item (ii) of the preceding paragraph.

(4) The matters prescribed in paragraph (2) are not required to be entered if a company submitting financial statements prepares consolidated financial statements.

(Note on Liabilities to Associated Companies)

Article 55 (1) If the combined total of negotiable instruments payable and accounts payable that have arisen based on transactions with associated companies exceeds five percent of the combined total of liabilities and net assets, the amount of the negotiable instruments payable and the amount of the accounts payable must be set down in the notes respectively; provided, however, that if either the amount of negotiable instruments payable or the amount of accounts payable to associated companies is no more than five percent of the combined total of liabilities and net assets, it is permissible to enter only the combined total of these amounts in the notes.

(2) With regard to debts (excluding negotiable instruments payable, accounts payable, and debts that are set down by classification under the provisions of Article 52, paragraph (1)), accrued expenses, or unearned revenues that have arisen based on transactions with associated companies and whose amount exceeds five percent of the combined total of liabilities and net assets, the amount thereof must be set down in the notes.

(3) If the total amount of the liabilities to associated companies prescribed in the preceding two paragraphs other than those that have been set down in the notes pursuant to the provisions of the preceding two paragraphs exceeds five percent of the combined total of liabilities and net assets, an entry to that effect and the amount thereof must be set down in the notes.

(Notes on Specified Accounts Related to Business Combination)
Article 56 (1) If, for a business combination that has been determined to be an acquisition, Specified Accounts related to the business combination (meaning any expenses or losses that are predicted to arise after the acquisition, when the possibility for the expenses or losses to arise is reflected in calculation of the consideration for the acquisition; the same applies in Article 95-3-3) are reported under liabilities, the main contents and the amount thereof must be set down in the notes.
(2) The matters prescribed in the preceding paragraph are not required to be entered if the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

Article 57 Deleted.

(Notes on Contingent Liabilities)
Article 58 If there are contingent liabilities (meaning guarantees of debts (including acts that have the same effect as guarantees of debts), an obligation to compensate in relation to a contentious case, and other liabilities that have not arisen in reality but may be borne by the business in the future), the contents and amounts thereof must be set down in the notes; provided, however, that notes may be omitted for immaterial matters.

Section 4 Net Assets

Division 1 General Provisions

(Classification of Net Assets)
Article 59 Net assets must be entered after being classified into shareholders' equity, valuation and translation adjustments, and share options.

Division 2 Shareholders' Equity

(Classification of Shareholders' Equity)
Article 60 Shareholders' equity must be entered after being classified into stated capital, capital surplus, and retained earnings.

(Presentation of Stated Capital)
Article 61 Stated capital must be set down under the account title of stated capital.

(Presentation of Deposits for Subscriptions to Shares)

Article 62 (1) Notwithstanding the provisions of Article 60, deposits for subscriptions to shares after the offer date must be set down in a separate classification that has been added immediately after stated capital under the account title of deposits for subscriptions to shares.

(2) In the case set forth in the preceding paragraph, the number of shares issued, the date that the stated capital increased, and the amount of any portion thereof that is scheduled to be transferred to capital reserves must be set down in the notes.

(Separate Presentation of Capital Surplus)

Article 63 (1) Any surplus classified as capital surplus must be set down under an account title that bears the name of the surplus, in accordance with the following classification of items:

(i) capital reserves; and

(ii) other capital surplus (meaning capital surplus other than capital reserves and any reserves specified by law that are equivalent to capital reserves).

(2) Any reserves specified by law that are equivalent to capital reserves must be set down under an account title that bears the name of the reserves by adding a separate account title immediately after capital reserves.

Article 64 Deleted.

(Separate Presentation of Retained Earnings)

Article 65 (1) Surpluses categorized as retained earnings must be set down under account titles with names that are indicative of the surpluses, in accordance with the following classification of items:

(i) retained earnings reserves; and

(ii) other retained earnings.

(2) Any reserves specified by law that are equivalent to retained earnings reserves must be set down under an account title that bears the name of the reserves by adding a separate account title immediately after retained earnings reserves.

(3) Other retained earnings must be set down under an account title that indicates the purpose for which it was established based on a resolution at a shareholders' meeting or by the board of directors, or under the account title of deferred retained earnings.

(Presentation of Treasury Shares)

Article 66 Treasury shares must be set down under the account title of treasury shares as a contra-asset item corresponding to shareholders' equity immediately after retained earnings.

(Presentation of Deposits for Subscriptions to Treasury Shares)

Article 66-2 Notwithstanding the provisions of Article 60, deposits for subscriptions after the offer date in relation to the disposal of treasury shares must be set down under the account title of deposits for subscriptions to treasury shares, immediately after treasury shares.

Division 3 Valuation and Translation Adjustments

(Classification and Separate Presentation of Valuation and Translation Adjustments)

Article 67 (1) Valuation and translation adjustments must be set down in accordance with the following classification of items, under account titles with names that are indicative of those items:

(i) valuation differences on other securities (meaning the valuation differences on other securities reported in the net assets section);

(ii) 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); and

(iii) land revaluation difference (meaning a land revaluation difference as prescribed in Article 7, paragraph (2) of the Land Revaluation Act).

(2) Beyond the items set forth in the preceding paragraph, any items that it is found appropriate to reported as an item in valuation and translation adjustments may be set down under an account title with a name that is indicative of those items.

Division 4 Share Options

(Presentation of Share Options)

Article 68 (1) Share options must be set down under the account title of share options.

(2) Treasury share options must be deducted from share options; provided, however, that this does not preclude treasury share options from being set down under the account title of treasury share options, immediately after share options, as a contra-asset item corresponding to share options.

Division 5 Miscellaneous Provisions

(Notes on Dividend Limitations)

Article 68-2 Deleted

(Entry of Designated Corporation's Net Assets)

Article 68-3 When a designated corporation prepares a balance sheet, if 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 laws, regulations, or rules that are applicable to its financial statements. In this case, the governing laws, regulations, or rules must be set down in the notes.

(Notes on Per-Share Amount of Net Assets)

Article 68-4 (1) The per-share amount of net assets must be set down in the notes.

(2) If any consolidation of shares or share split has been carried out during the current business year or after the balance sheet date, the following matters must be set down in the notes in addition to the matters prescribed in the preceding paragraph:

(i) the fact that a consolidation of shares or a share split has been carried out; and

(ii) the fact that the per-share amount of net assets is calculated by assuming that the consolidation of shares or share split has been carried out at the beginning of the previous business year.

(3) The matters prescribed in the preceding two paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

Chapter III Profit and Loss Statements

Section 1 General Provisions

(Methods of Entry in Profit and Loss Statement)

Article 69 (1) The methods of entry in a profit and loss statement are in accordance with the provisions of this Chapter.

(2) Entries in a profit and loss statement are to be made in accordance with Form No. 6.

(Classification of Revenues and Expenses)

Article 70 Revenues and expenses must be entered after being classified into account titles with names that are indicative of 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.

(Methods of Entering Net Sales of Company Engaged in Multiple Types of Business)
Article 71 If a company, etc. is engaged in two or more types of business, statements on the net sales and the cost of sales may be entered separately for each type of business.

Section 2 Net Sales and Cost of Sales

(Presentation Methods for Net Sales)
Article 72 (1) Net sales must be set down under an account title with a name that is indicative of net sales; provided, however, that this does not preclude net sales from being set down under an account title with a name that is indicative of the item set forth in item (i) and under an account title with a name that is indicative of the item set forth in item (ii) that serves as a contra-asset account title corresponding to the former account title:
(i) gross sales (including gross sales of semi-finished goods, by-products, scraps, etc., processing revenues, and any other operating revenues); and
(ii) sales allowances and returns.
(2) The net sales set forth in the preceding paragraph must be entered after being classified into net sales of manufactured goods and net sales of merchandise; provided, however, that this does not apply if it is difficult to classify them.
(3) Among the net sales set forth in paragraph (1), net sales of semi-finished goods, by-products, scraps, etc. or revenues from service operations such as processing revenues whose amount exceeds one percent of the total amount of net sales must be set down separately under an account title with a name that is indicative of the net sales or revenues.

(Presentation Methods for Valuation Difference of Inventory Assets)
Article 72-2 Entry of the valuation difference of inventory assets held for the purpose of gaining a profit through fluctuations in market prices must be included under the account title with a name that is indicative of net sales; provided, however, that if the amount is not material, it may be included in non-operating revenues or non-operating expenses.

(Presentation Methods for Installment Sales)
Article 73 If the net sales for installment sales exceed twenty percent of the total

amount of net sales, they must be set down separately under an account title together with the name thereof.

(Notes on Net Sales to Associated Companies)

Article 74 If net sales to associated companies exceed twenty percent of the total amount of net sales, the amount thereof must be set down in the notes.

(Presentation Methods for Cost of Sales)

Article 75 (1) Items categorized as the cost of sales must be set down under account titles with names that are indicative of the items set forth in items (i) and (ii) and under account titles with names that are indicative of the item set forth in item (iii) and that serve as a contra-asset account titles corresponding to the former account titles:

(i) the initial inventory of merchandise or manufactured goods (including semi-finished goods, by-products, scraps, etc.; the same applies hereinafter);

(ii) the cost of merchandise purchased for the period or the cost of goods manufactured for the period; and

(iii) the ending inventory of merchandise or manufactured goods.

(2) With regard to the cost of goods manufactured for the period set forth in item (ii) of the preceding paragraph, a detailed statement containing the breakdown thereof must be attached to the profit and loss statement; provided, however, that this does not apply if the segment information prescribed in Article 15-2, paragraph (1) of the regulation on consolidated financial statements is set down in the notes in consolidated financial statements.

Article 76 If there is any increase or decrease in the merchandise or manufactured goods set forth in paragraph (1) of the preceding Article due to a reason other than sale, production, or purchase, or if there is any other matter to be added as an item constituting the cost of sales, the item must, in addition to the account titles indicating the items set forth in the respective items of that paragraph, be separately set down under an account title that is indicative of the contents thereof.

(Notes on Additions to Reserves for Losses on Construction Contracts)

Article 76-2 (1) The amount of additions to reserves for losses on construction contracts that are included in the cost of sales must be set down in the notes.

(2) The matters prescribed in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Attachment of Detailed Statement of Cost of Sales)

Article 77 The provisions of Article 75, paragraph (1) do not apply if it is found to be difficult or inappropriate to enter the cost of sales by classification into the items set forth in each of the items of that paragraph. In this case, a detailed statement containing a breakdown of the cost of sales must be attached to the profit and loss statement.

(Detailed Statement of Costs of Company Engaged in Specified Business)

Article 78 (1) If laws, regulations, or rules that provide for matters concerning a business that is subject to the application of the provisions of Article 2 prescribe a document with the same content as the detailed statement prescribed in Article 75, paragraph (2) or the preceding Article, regarding it as a supplementary schedule, with regard to financial statements to be submitted pursuant to the provisions of the Act by a stock company or a designated corporation engaged in that business, the schedule is to be attached to the profit and loss statement, and entries for the supplementary schedule is to be omitted.

(2) Among the supplementary schedules specified by the laws, regulations, or rules prescribed in Article 2, those set forth below are to fall under documents with the same content as the detailed statement prescribed in the preceding paragraph:

(i) a schedule of railway business operating expenses as specified by the Regulation on Accounting in the Railway Industry (Ministry of Transport Order No. 7 of 1987);

(ii) a schedule of motorway business operating expenses as specified by the Regulation on Accounting in the Motorway Industry (Order of the Ministry of Transport and the Ministry of Construction No. 3 of 1964);

(iii) a schedule of telecommunications services operating expenses (expenses by department) as specified by the Regulation on Accounting in Telecommunications Services (Order of the Ministry of Posts and Telecommunications No. 26 of 1985);

(iv) a schedule of electric utility operating expenses as specified by the Regulation on Accounting at Electric Utilities (Order of the Ministry of International Trade and Industry No. 57 of 1965);

(v) a schedule of operating expenses as specified by the Regulation on Accounting at Gas Utilities (Order of the Ministry of International Trade and Industry No. 15 of 1954);

(vi) a schedule of expressway business operating expenses, non-operating expenses, extraordinary loss, etc. as specified by the Regulation on Accounting in the Expressway Industry, etc. (Order of the Ministry of Land, Infrastructure and Transportation No. 65 of 2005);

(vii) a schedule of business expenses as specified by the Regulation on the

Terminology, Forms, and Preparation Methods of the Financial Statements of Social Medical Care Corporations That Issue Social Medical Care Corporation Bonds (Order of the Ministry of Health, Labour and Welfare No. 38 of 2007); and

(viii) a schedule of business expenses as specified by the Regulation on the Terminology, Forms, and Preparation Methods of the Financial Statements of Incorporated Educational Institutions That Issue Securities (Order of the Ministry of Education, Culture, Sports, Science and Technology No. 36 of 2007).

(3) The contents of the supplementary schedules set forth in items (i) to (iii) of the preceding paragraph may be entered by summarizing them into expense items that are found to be appropriate.

(Presentation Methods for Costs of Merchandise Purchased)

Article 79 The cost of merchandise purchased for the period set forth in Article 75, paragraph (1), item (ii) must be set down under an account title bearing the name of the merchandise purchased for the period; provided, however, that this does not preclude the cost from being set down under an account title with a name that is indicative of the total amount of merchandise purchased (including freight-in and expenses related to direct purchases) or under an account title with a name that is indicative of the item of purchase allowance, returns, etc. that serves as a contra-asset account title corresponding to the former account title.

(Entries Related to Write-Downs to Book Value of Inventory Assets)

Article 80 (1) If the book value of inventory assets held for the purpose of ordinary sales has been written down due to a decline in profitability, the written-down amount (if the written-down amount that was reported at the end of the previous business year has been reversed in the current business year, the amount obtained by offsetting the returned amount against the written-down amount reported at the end of the current business year) must be set down separately under an account title with a name that is indicative of 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 an entry 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, it may be omitted from being set down separately or in the notes.

(3) Notwithstanding the provisions of paragraph (1), the amount is not required

to be set down separately or in the notes when a company submitting financial statements prepares consolidated financial statements.

Article 81 Deleted.

Article 82 Deleted.

(Presentation of Gross Profit or Loss on Sales)

Article 83 The amount obtained by deducting the cost of sales from net sales (if the cost of sales exceeds net sales, the amount obtained by deducting net sales from the cost of sales) must be presented as the gross profit on sales or the gross loss on sales.

Section 3 Selling Expenses and General and Administrative Expenses

(Scope of Selling Expenses and General and Administrative Expenses)

Article 84 All expenses that have arisen in relation to the selling operations and general and administrative operations of a company are to be categorized as selling expenses and general and administrative expenses.

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

Article 85 (1) Selling expenses and general and administrative expenses must be classified into expense items that are found to be appropriate, and must be set down under account titles with names that are indicative of 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 are depreciation/amortization expenses and additions to allowances (excluding the expense items that are of a small amount) and any other expense items whose amount exceeds ten percent of the combined total of selling expenses and general and administrative expenses.

(Notes on Research and Development Expenses)

Article 86 (1) 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.

(2) The matters prescribed in the preceding paragraph are not required to be

entered when a company submitting financial statements prepares consolidated financial statements.

(Presentation Methods for Bad Debts Written Off)

Article 87 Additions to the allowance for doubtful accounts or bad debt losses on claims that have arisen based on ordinary transactions, excluding those that are extraordinary, must be separately set down, as selling expenses, under an account title with a name that is indicative of those expenses.

(Notes on Operating Expenses Related to Associated Companies)

Article 88 (1) With regard to the cost of merchandise or raw materials purchased, consignment processing costs, rent expenses on real property, or the share of cost (meaning a share of cost under a contract in which the company submitting financial statements bears a certain proportion of costs that have arisen in an associated company during a business year) that has arisen through transactions with associated companies in an amount that exceeds twenty percent of the combined total of the cost of sales and the selling expenses and general and administrative expenses, the amount thereof must be set down in the notes.

(2) If the total amount of expenses that have arisen through transactions with associated companies as prescribed in the preceding paragraph other than those that have been set down in the notes pursuant to the provisions of the preceding paragraph exceeds twenty percent of the combined total of the cost of sales and the selling expenses and general and administrative expenses, an entry to that effect and the amount thereof must be set down in the notes.

(Presentation of the Amount of Operating Income and Loss)

Article 89 The amount obtained by deducting the combined total of the selling expenses and general and administrative expenses from the gross profit on sales (if the combined total of the selling expenses and general and administrative expenses exceeds the gross profit on sales, the amount obtained by deducting the gross profit on sales from the combined total of the selling expenses and general and administrative expenses) must be presented as the amount of operating income or the amount of operating loss, or the amount obtained by adding the combined total of the selling expenses and general and administrative expenses to the gross loss on sales must be presented as the amount of operating loss.

Section 4 Non-Operating Revenues and Non-Operating Expenses

(Presentation Methods for Non-Operating Revenues)

Article 90 Revenues categorized as non-operating revenues must be set down under account titles with names that are indicative of those revenues, in accordance with the classifications of interest income (excluding interest on securities), interest on securities, dividends income, gains on the sale of securities, purchase discounts, and others; provided, however, that any revenues whose amounts are not more than ten percent of the total amount of non-operating revenue and that it is found appropriate to presented collectively, may be set down under an account title bearing a name that collectively indicates those revenues.

(Notes on Non-Operating Revenue Related to Associated Companies)

Article 91 (1) With regard to revenue that has arisen through transactions with associated companies that is classified as non-operating revenue and whose amount exceeds ten percent of the total amount of non-operating revenues, the amount thereof must be set down in the notes.

(2) If the total amount of revenue related to associated companies other than those set down in the notes pursuant to the provisions of the preceding paragraph exceeds ten percent of the total amount of non-operating revenues, an entry to that effect and the amount thereof must be set down in the notes.

Article 92 Deleted.

(Presentation Methods for Non-Operating Expenses)

Article 93 Expenses classified as non-operating expenses must be set down under account titles with names that are indicative of those expenses, in accordance with the classifications of interest expenses, interest on corporate bonds, amortization of bond issuance expenses, amortization of deferred organization expenses, amortization of business commencement expenses, additions to the allowance for doubtful accounts or bad debt losses (excluding those that are entered as selling expenses pursuant to the provisions of Article 87), losses on the sale of securities, sales discounts, and others; provided, however, that any expenses whose amounts are not more than ten percent of the total amount of non-operating expenses and that it is found appropriate to present collectively, may be set down under an account title bearing a name that collectively indicates those expenses.

(Notes on Non-Operating Expenses Related to Associated Companies)

Article 94 (1) With regard to expenses that have arisen through transactions with Associated Companies that are classified as non-operating expenses and whose amount exceeds ten percent of the total amount of non-operating expenses, the amount thereof must be set down in the notes.

(2) When the total amount of expenses related to associated companies other than those set down in the notes pursuant to the provisions of the preceding paragraph exceeds ten percent of the total amount of non-operating expenses, an entry to that effect and the amount thereof must be set down in the notes.

(Presentation of Amount of Ordinary Income and Loss)

Article 95 The amount obtained by adjusting the amount of operating income or the amount of operating loss first by adding or subtracting the amount of non-operating revenues, and then by adding or subtracting the amount of non-operating expenses must be presented 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 95-2 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 prior period adjustment, 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 95-3 Losses categorized as extraordinary loss must be set down under account titles with names that are indicative of those losses, in accordance with the classifications of loss on the sale of fixed assets, impairment loss, loss on disaster, and others; provided, however, that any losses whose amounts are not more than ten percent of the total amount of extraordinary loss and that it is found appropriate to present collectively, may be set down under an account title bearing a name that collectively indicates those losses.

(Notes on Impairment Loss)

Article 95-3-2 (1) If there are assets or asset groups (meaning groups of multiple assets when the assets collectively produce cash flow; the same applies hereinafter) for which impairment loss has been recognized, the matters set forth in the following items must be set down in the notes for each of those assets or asset groups; provided, however, that the notes may be omitted if they are not material:

(i) an outline of the following matters concerning the relevant asset or asset group:

(a) the intended purpose;

(b) the type;

(c) the place; and

(d) if there are other matters that are found to be necessary for understanding the contents of the relevant asset or asset group, the contents of those matters;

(ii) the circumstances leading up to recognizing the impairment loss;

(iii) the amount of the impairment loss and the breakdown of the amount by major type of fixed asset;

(iv) if there is any asset group, the method by which the assets pertaining to the asset group have been grouped; and

(v) if the recoverable value is the net sales value, an entry to that effect and the method for calculating the market value, and if the recoverable value is the use value, an entry to that effect and the discount rate.

(2) The matters set forth in the items of the preceding paragraph are not required to be entered if a company submitting financial statements prepares consolidated financial statements.

(Notes on Gains on Reversal of Specified Accounts in Relation to Business Combination)

Article 95-3-3 (1) If there has been a gain on the reversal of specified accounts in relation to business combination, the contents and the amount thereof must be set down in the notes, unless they are not material.

(2) The matters prescribed in the preceding paragraph are not required to be entered when the same contents are to be entered in consolidated financial statements. In this case, a statement to that effect must be made.

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

Article 95-4 The amount obtained by adjusting the amount of ordinary income or the amount of ordinary loss by first adding or subtracting the amount of extraordinary profit, and then adding or subtracting the amount of extraordinary loss must be presented as the amount of net income for the period before tax or the amount of net loss for the period before tax.

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 95-5 (1) The amounts of the items set forth in the following items must be entered under account titles with names that are indicative of the contents thereof, immediately after the amount of net income for the period before tax

or the amount of net loss for the period before tax:
(i) the corporate 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) for the relevant business year; and
(ii) the deferred corporate tax, etc. (meaning adjustments on the corporate tax, inhabitants tax, and enterprise tax set forth in the preceding item, which are reported through the application of tax effect accounting).
(2) The amount obtained by adjusting the amount of net income for the period before tax or the amount of net loss for the period before tax 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) If there are taxes paid or taxed refunded due to a correction to or determination, etc. on corporate tax, etc., their amounts are to be entered under an account title with a name that is indicative of 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 they are not material.

(Notes on Per-Share Amount of Net Income or Net Loss for the Period)
Article 95-5-2 (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 its calculation must be set down in the notes.
(2) If any consolidation of shares or share split has been carried out during the current business year or after the balance sheet date, the following matters must be set down in the notes in addition to the matters prescribed in the preceding paragraph:
(i) the fact that a consolidation of shares or a share split has been carried out; and
(ii) the fact that the per-share amount of net income for the period or net loss for the period is calculated by assuming that the consolidation of shares or share split has been carried out at the beginning of the previous business year.
(3) The matters prescribed in the preceding two paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Diluted Per-Share Amount of Net Income for the Period)
Article 95-5-3 (1) The diluted per-share amount of net income for the period (meaning the per-share amount of net income for the period that has been calculated by assuming exercise of rights pertaining to securities or contracts

with attached rights to acquire common shares, rights to request conversion into common shares, or other rights equivalent thereto (hereinafter referred to as "potential shares"); hereinafter the same applies in this Article) and the basis for its calculation must be entered immediately after the notes under the preceding Article.

(2) If any consolidation of shares or share split has been carried out during the current business year or after the balance sheet date, the following matters must be set down in the notes in addition to the matters to be entered pursuant to the provisions of the preceding paragraph:

(i) the fact that a consolidation of shares or a share split has been carried out; and

(ii) the fact that the diluted per-share amount of net income for the period is calculated by assuming that the consolidation of shares or share split has been carried out at the beginning of the previous business year.

(3) Notwithstanding the preceding two paragraphs, if no potential shares exist, if the diluted per-share amount of net income for the period is not less than the per-share amount of net income for the period, or if the amount constitutes the per-share amount of net loss for the period, a statement to that effect must be made, and the diluted per-share amount of net income for the period is not required to be entered.

(4) The matters prescribed in the preceding three paragraphs are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

Section 7 Miscellaneous Provisions

(Presentation Method for Cost Variances)

Article 96 Entry of the cost variances reported based on the cost accounting method adopted by a company submitting financial statements must be included in the cost of sales or in the ending inventory of inventory assets, based on the results processed in accordance with cost accounting standards that are generally accepted as fair and appropriate; provided, however, that those that are found not to have the characteristic of costs are to be entered as non-operating revenues or non-operating expenses, or as extraordinary profit or extraordinary loss.

(Separate Presentation of Additions to Allowances)

Article 98 Additions to allowances must be set down separately under account titles with names that are indicative of the purposes of the allowances' establishment and of the fact that they indicate additions to the allowances.

(Additions to or Reversal of Reserves under Special Laws)
Article 98-2 If there has been an addition to or reversal of a reserve, etc., the amount of the addition or reversal must be set down as an extraordinary loss or extraordinary profit under an account title with a name that is indicative of the fact that the amount results from the addition or reversal.

Chapter IV Statements of Changes in Net Assets

Section 1 General Provisions

(Methods of Entry in Statements of Changes in Net Assets)
Article 99 (1) The methods of entry in statements of changes in net assets are in accordance with the provisions of this Chapter.
(2) Entries in statements of changes in net assets are to be made in accordance with Form No. 7.

(Separate Presentation in Statements of Changes in Net Assets)
Article 100 (1) Statements of changes in net assets must be entered by classification under shareholders' equity, valuation and translation adjustments, and share options.
(2) Information in a statement of changes in net assets must be classified into appropriate items, and must be set down under account titles with names that are indicative of those items. Those items and account titles must be consistent with the items and account titles in the net asset section of the balance sheet at the end of the previous business year and at the end of the current business year.

Section 2 Shareholders' Equity

Article 101 (1) Shareholders' equity must be entered after being classified into the balance at the beginning of the current business year, the amount of changes during the current business year, and the balance at the end of the current business year.
(2) The amount of changes during the current business year for the account titles entered under shareholders' equity must be entered for each cause of those changes.
(3) Dividends of surplus must be presented as a cause of changes in other capital surpluses or other retained earnings.
(4) The amount of net income for the period or the amount of net loss for the period must be presented as a cause of changes in other retained earnings.

Article 102 Notwithstanding the provisions of Article 100, paragraph (2), when other retained earnings are entered, in lieu of being entered for each account title, the total amount of other retained earnings may be entered after being classified into the balance at the beginning of the current business year, the amount of changes during the current business year, and the balance at the end of the current business year. In this case, the respective amounts for each account title are to be set down in the notes.

Section 3 Valuation and Translation Adjustments

Article 103 (1) Valuation and translation adjustments must be entered after being classified into the balance at the beginning of the current business year, the amount of changes during the current business year, and the balance at the end of the current business year.

(2) With regard to the account titles entered under valuation and translation adjustments, the amount of changes during the current business year is to be entered collectively; provided, however, that this does not preclude the amount from being entered or set down in the notes for each major cause of the changes.

Article 104 Notwithstanding the provisions of Article 100, paragraph (2), when valuation and translation adjustments are entered, in lieu of being entered for each account title, the total amount of valuation and translation adjustments may be entered after being classified into the balance at the beginning of the current business year, the amount of changes during the current business year, and the balance at the end of the current business year. In this case, the respective amounts for each account title are to be set down in the notes.

Section 4 Share Options

Article 105 (1) Share options must be entered after being classified into the balance at the beginning of the current business year, the amount of changes during the current business year, and the balance at the end of the current business year.

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

Section 5 Matters to Be Set Down in Notes

(Notes on Issued Shares)

Article 106 (1) 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 business year and at the end of the current business year, and the number of issued shares that increased or decreased during the current business year, for each class of issued shares; and

(ii) an outline of the cause of the changes for each class of issued shares.

(2) The matters set forth in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Treasury Shares)

Article 107 (1) 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 business year and at the end of the current business year, and the number of treasury shares that increased or decreased during the current business year, for each class of treasury shares; and

(ii) an outline of the cause of the changes for each class of treasury shares.

(2) The matters prescribed in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Share Options)

Article 108 (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 business year.

(2) If share options have been granted as stock options or share options in the company, 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 business year and at the end of the current business year, the number of shares that increased or decreased during the current business year, and an 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 would increase if the share options were to be 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 current business year.

(4) The provisions of the preceding three paragraphs apply mutatis mutandis to treasury share options.
(5) The matters specified in paragraph (1) through the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

(Notes on Dividends)
Article 109 (1) With regard to dividends, the following matters must be set down in the notes:
(i) if the dividend property is money, the total amount of dividends, the amount of dividends per-share, the reference date, and the effective date for each class of shares;
(ii) if the dividend property is property other than money, the type and the book value (when, on the date of the dividend of surplus, the property is priced at the market value as of the relevant date, the book value after pricing the property at the market value) of the dividend property, the amount of dividends per-share, the reference date, and the effective date for each class of shares; and
(iii) with regard to a dividend with a reference date that belongs to the current business year and with an effective date that will belong to the following business year, the dividend's financial source and the matters equivalent to those set forth in the preceding two items.
(2) The matters set forth in the preceding paragraph are not required to be entered when a company submitting financial statements prepares consolidated financial statements.

Section 6 Miscellaneous Provisions

Article 109-2 When a designated corporation prepares a statement of changes in net assets, if 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 laws, regulations, or rules applicable to its Financial Statements.

Chapter V Cash Flow Statements
Section 1 General Provisions

(Methods of Entry in Cash Flow Statements)
Article 110 (1) The methods of entry in a cash flow statement are in accordance with the provisions of this Chapter.
(2) Entries in a cash flow statement are to be made in accordance with Form No.

8 or Form No. 9.

(Companies Subject to Preparation of Cash Flow Statement)

Article 111 A cash flow statement is to be prepared by a company that does not prepare consolidated financial statements.

(Separate Presentation in Cash Flow Statement)

Article 112 In a 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) increases or decreases 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 Cash Flow Statement

(Presentation Methods for Cash Flows from Operating Activities)

Article 113 In the class of cash flows from operating activities set forth in item (i) of the preceding Article, the cash flows from transactions that were subject to the calculation of operating income or operating loss and cash flows from transactions other than investment activities and financing activities must be set down under account titles with names that are indicative of the contents thereof, in either of the following ways; provided, however, that the cash flows that are of small amounts and that it is found appropriate to present collectively may be set down collectively under an account title bearing an appropriate name:

(i) by classifying the cash flows into operating income, payments for the purchase of raw materials or merchandise, payment of personnel expenses, and other items that are found appropriate, and presenting the total amount of cash flow for each major transaction; or

(ii) by presenting the amount obtained by adding or subtracting the following items to or from the amount of net income for the period before tax or the amount of net loss for the period before tax:

(a) any items reported as revenues or expenses on a 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 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 114 In the class of cash flows from investment activities set forth in Article 112, item (ii), payments for the acquisition of securities (excluding cash equivalents, etc.; hereinafter the same applies in this Article), proceeds from the sale of securities, payments for the acquisition of tangible fixed assets, proceeds from the sale of tangible fixed assets, payments for the acquisition of investment securities, proceeds from the sale of investment securities, loan payments, proceeds from the collection of loans, and any other cash flows from investment activities must be set down under account titles with names that are indicative of the contents thereof, by representing the total amount of cash flows for each major transaction; provided, however, that the cash flows that are of small amounts and that it is found appropriate to present collectively may be set down collectively under an account title bearing an appropriate name.

(Presentation Methods for Cash Flows from Financing Activities)

Article 115 In the class of cash flows from financing activities set forth in Article 112, item (iii), proceeds from short-term borrowings, payments for the repayment of short-term borrowings, proceeds from long-term borrowings, payments for the repayment of long-term borrowings, proceeds from the issuance of corporate bonds, payments for the redemption of corporate bonds, proceeds from the issuance of shares, payments for the acquisition of treasury shares, and any other cash flows from financing activities must be set down under account titles with names that are indicative of the contents thereof, by representing the total amount of cash flow for each major transaction; provided, however, that the cash flows that are of small amounts and that it is found appropriate to present collectively may be set down collectively under an account title bearing an appropriate name.

(Entry of Translation Adjustments for Cash and Cash Equivalents)

Article 116 (1) In the classification of translation adjustments for cash and cash equivalents as set forth in Article 112, item (iv), the difference that occurs from conversion of foreign currency dominated funds into yen is to be entered.

(2) In the classification of increases or decreases in cash and cash equivalents as set forth in Article 112, item (v), the amount obtained by adding or subtracting the difference that occurs from the conversion of foreign currency dominated funds into yen as 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 from Interests and Dividends)

Article 117 cash flows pertaining related to interests and dividends are to be entered in either of the following ways:

(i) by entering the amount of interest and dividends received and the amount of interest paid under the classification of cash flows from operating activities set forth in Article 112, item (i) and entering the amount of dividends paid under the classification of cash flows from financing activities set forth in item (iii) of that Article; or

(ii) by entering the amount of interest and dividends received under the class of cash flows from investment activities set forth in Article 112, item (ii) and entering the amount of interest and dividends paid under the class of cash flows from financing activities set forth in item (iii) of that Article.

(Presentation Methods for Cash Flows from Takeover or Transfer of Business or Merger That Has Cash or Cash Equivalents as Consideration)

Article 118 cash flows from a takeover or transfer of business or a merger, etc. that has cash or cash equivalents as the consideration must be set down under an account title with a name that is indicative of the contents thereof, under the classification of cash flow from investment activities as set forth in Article 112, item (ii).

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

Article 119 (1) The following matters must be set down in the notes in a cash flow statement; provided, however, that the notes may be omitted for the matters set forth in item (ii) if the amount of assets or liabilities prescribed in that item 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 the balance sheet;

(ii) if there has been a takeover or transfer of business or a merger, etc. that had cash or cash equivalents as the consideration, a major breakdown of the assets and liabilities that have increased or decreased as a result of the takeover or transfer of business or the merger, etc.; and

(iii) the contents of material non-cash transactions.

(2) The non-cash transactions set forth in item (iii) of the preceding paragraph means the 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 the issuance, etc. of shares, a merger, or any other transactions that do not involve any increase or decrease in funds, and that have material impact on cash flow in and/or after the following business year.

Chapter VI Supplementary Schedules

(Methods of Entry in Supplementary Schedule)

Article 120 The methods of entry in a supplementary schedule are in accordance with the provisions of this Chapter.

(Types of Supplementary Schedules)

Article 121 (1) The types of supplementary schedules are as follows:

(i) a schedule of securities;

(ii) a schedule of tangible fixed assets, etc.;

(iii) a schedule of corporate bonds;

(iv) a schedule of borrowings, etc.;

(v) a schedule of allowances; and

(vi) a schedule of asset retirement obligations.

(2) The forms for the supplementary schedules set forth in the items of the preceding paragraph are in accordance with Form No. 10 through Form No. 15.

(3) A company submitting financial statements (limited to an issuer of the securities set forth in Article 24, paragraph (1), item (i) or (ii) of the Financial Instruments and Exchange Act) is not required to prepare the schedule of securities set forth in paragraph (1), item (i) (excluding the cases prescribed in the following Article and Article 123, item (i)).

(4) The supplementary schedules set forth in paragraph (1), items (iii), (iv), and (vi) are not required to be prepared when a company submitting financial statements prepares consolidated financial statements (excluding the cases prescribed in the following Article and Article 123, item (i)).

(Supplementary Schedules to Be Submitted by Company Engaged in Specified Business)

Article 122 The terminology, forms, and preparation methods for supplementary schedules that are to be submitted, pursuant to the provisions of the Act, by the stock companies or designated corporations engaged in a listed business that are set forth in the following items are in accordance with the provisions of each of those items; provided, however, that the supplementary schedules set forth in paragraph (1), items (iii), (iv), and (vi) of the preceding Article and supplementary schedules equivalent thereto are not required to be prepared when the stock company or designated corporation prepares consolidated financial statements:

(i) a stock company subject to the application of the Regulation for Enforcement of the Construction Business Act (Ministry of Construction Order No. 14 of 1949), the Cabinet Office Order on Financial Instruments Services (Cabinet Office Order No. 52 of 2007), the Regulation on Accounting in the Railway Industry, or the Regulation on Accounting in the Motorway Industry is to prepare the supplementary schedules set forth in the items of paragraph (1) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article;

(ii) a stock company subject to the application of the Regulation for Enforcement of the Banking Act (Ministry of Finance Order No. 10 of 1982), the Regulation for Enforcement of the Long-Term Credit Bank Act (Ministry of Finance Order No. 13 of 1982), the Regulation for Enforcement of the Shoko Chukin Bank Limited Act Related to the Ministry of Economy, Trade and Industry, the Ministry of Finance, and the Cabinet Office (Order of the Cabinet Office, the Ministry of Finance, and the Ministry of Economy, Trade and Industry No. 1 of 2008), the Ministerial Order on Accounting at the Japan Finance Corporation (Order of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry No. 3 of 2008), Ministerial Order on Accounting at the Development Bank of Japan, Inc. (Ministry of Finance Order No. 60 of 2008), or Ministerial Order on Accounting at the Japan Bank for International Cooperation (Ministry of Finance Order No. 15 of 2012), and designated corporations subject to the application of the Regulation for Enforcement of the Norinchukin Bank Act (Order of the Cabinet Office and the Ministry of Agriculture, Forestry and Fisheries No. 16 of 2001), the Regulation for Enforcement of the Act on Financial Services by Cooperatives (Ministry of Finance Order No. 10 of 1993), the Regulation for Enforcement of the Shinkin Bank Act (Ministry of Finance Order No. 15 of 1982), or the Regulation for Enforcement of the Labor Bank Act (Order of the Ministry of Finance and the Ministry of Labour No. 1 of 1982) are to prepare the supplementary schedules set forth in paragraph (1), items (ii) to (vi) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article;

(iii) a stock company subject to the application of the Rules on Financial Statements in the Shipping Industry (Public Notice of the Ministry of Transport No. 431 of 1954) is to prepare a schedule of shipping revenues and expenses specified by those rules, as well as preparing the supplementary schedules set forth in the items of paragraph (1) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article;

(iv) a stock company subject to the application of the Regulation for Enforcement of the Act on Guaranty Service Related to Advance Payment of Public Works (Ministry of Construction Order No. 23 of 1952) is to prepare a schedule of securities and a schedule of trust securities specified by that Regulation, as well as preparing the supplementary schedules set forth in paragraph (1), items (ii) to (vi) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article; provided, however, that the classes and names of securities entered in the schedule of securities and the schedule of trust securities may be entered by summarizing them by the type of business of the issuing companies in the case of shares, and may be entered by summarizing them by the classes of securities prescribed in Article 2, paragraph (1) of the Act in the case of any other securities;
(v) a stock company or a designated corporation subject to the application of the Regulation for Enforcement of the Insurance Business Act (Ministry of Finance Order No. 5 of 1996) is to prepare a schedule of business expenses in accordance with the format specified by that Regulation, as well as prepare the supplementary schedules set forth in paragraph (1), items (ii) to (vi) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article;
(vi) a stock company subject to the application of the Regulation on Accounting in Telecommunications Services is to prepare, from among the supplementary schedules prescribed in that Regulation, those set forth below, as well as preparing the supplementary schedules set forth in paragraph (1), items (iv) and (vi) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article:
(a) a schedule of fixed assets, etc.;
(b) a schedule of securities;
(c) a schedule of corporate bonds;
(d) a schedule of allowances; and
(e) a schedule of asset retirement obligations;
(vi)-2 a stock company subject to the application of the Regulation on Accounting at Gas Utilities is to prepare, from among the supplementary schedules prescribed in that Regulation, those set forth below, as well as preparing the supplementary schedules set forth in paragraph (1), items (iii), (iv) and (vi) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article:
(a) a schedule of fixed assets, etc.;
(b) a schedule of securities; and
(c) a schedule of allowances;
(vii) a stock company subject to the application of the Regulation on Accounting at Electric Utilities is to prepare, from among the supplementary schedules

prescribed in that Regulation, those set forth below, as well as preparing the supplementary schedules set forth in paragraph (1), item (vi) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article:

(a) a schedule of changes in fixed assets during the period;

(b) a schedule of changes in fixed assets during the period (intangible fixed assets);

(c) a schedule of depreciation/amortization expenses, etc.;

(d) a schedule of long-term investments and short-term investments;

(e) a schedule of corporate bonds;

(f) a schedule of borrowings, long-term accrued liabilities, lease obligations, other fixed liabilities, and commercial papers; and

(g) a schedule of allowances;

(viii) a specified purpose company subject to the application of the Regulation on Accounting at Specified Purpose Companies (Cabinet Office Order No. 44 of 2006) is to prepare the supplementary schedules set forth in the items of paragraph (1) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article; provided, however, that if the supplementary schedule set forth in paragraph (1), item (ii) of that Article is prepared in accordance with the form specified in paragraph (2) of that Article, it is to be prepared by including specified assets (meaning the specified assets prescribed in Article 2, paragraph (1) of the asset securitization act; hereinafter the same applies in this item and item (i) of the following Article), as a schedule of specified assets and tangible fixed assets, etc.;

(ix) an investment corporation subject to the application of the Regulation on Accounting at Investment Corporations (Cabinet Office Order No. 47 of 2006) is to prepare a schedule of securities, a table of the status of contract amounts, etc. and market values for derivatives transactions and forward exchange transactions, the summary table included in the schedule of real property, etc., a schedule of Other specified assets (meaning specified assets prescribed in Article 2, paragraph (1) of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951); the same applies in item (ii) of the following Article), a schedule of investment corporation bonds, and a schedule of borrowings in accordance with the forms specified by that Regulation;

(x) a stock company or a designated corporation subject to the application of the Cabinet Office Order on Account Management of Specified Finance Companies is to prepare the supplementary schedules set forth in the items of paragraph (1) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article; provided, however, that if it falls under any of the stock companies or designated corporations set forth in the preceding items, it is to prepare supplementary schedules in accordance with the provisions of those items;

(xi) a stock company subject to the application of the Regulation on Accounting in the Expressway Industry, etc. is to prepare, from among the supplementary schedules prescribed in that Regulation, a schedule of fixed assets, etc. and a schedule of changes in corporate bonds, long-term borrowings, and short-term borrowings, as well as preparing the supplementary schedules set forth in paragraph (1), item (i), paragraphs (v) and (vi) of the preceding Article in accordance with the forms specified in paragraph (2) of that Article;

(xii) a medical care corporation subject to the application of the Regulation on the Terminology, Forms, and Preparation Methods of the Financial Statements of Social Medical Care Corporations That Issue Social Medical Care Corporation Bonds is to prepare, from among the supplementary schedules prescribed in that Regulation, those set forth below, as well as preparing the supplementary schedule set forth in paragraph (1), item (vi) of the preceding Article in accordance with the form specified in paragraph (2) of that Article:

(a) a schedule of securities;

(b) a schedule of tangible fixed assets, etc.;

(c) a schedule of social medical care corporation bonds;

(d) a schedule of borrowings, etc.; and

(e) a schedule of allowances; and

(xiii) an incorporated educational institution, etc. (meaning an incorporated educational institution as prescribed in Article 3 of the Private Schools Act (Act No. 270 of 1949) and a corporation as prescribed in Article 64, paragraph (4) of that Act; the same applies in Appended List No. 21) subject to the application of the Regulation on the Terminology, Forms, and Preparation Methods of the Financial Statements of Incorporated Educational Institutions That Issue Securities is to prepare, from among the supplementary schedules prescribed in that Regulation, those set forth below, as well as preparing the supplementary schedule set forth in paragraph (1), item (vi) of the preceding Article in accordance with the form specified in paragraph (2) of that Article:

(a) a schedule of tangible fixed assets, etc.;

(b) a schedule of securities;

(c) a schedule of specified assets;

(d) a schedule of school bonds;

(e) a schedule of borrowings, etc.; and

(f) a schedule of allowances.

(Supplementary Schedule of Specified Trust Property)

Article 123 The terminology, forms, and preparation methods for a supplementary schedule of specified trust property are in accordance with the provisions of the following items:

(i) with regard to specified trust property subject to the application of the Special Purpose Trust Property Accounting Regulation, the supplementary schedules set forth in the items of Article 121, paragraph (1) are to be prepared in accordance with the forms specified in paragraph (2) of that Article; provided, however, that if the supplementary schedule set forth in paragraph (1), item (ii) of that Article is prepared in accordance with the form specified in paragraph (2) of that Article, it is to be prepared as a schedule of specified assets and tangible fixed assets, etc., by including specified assets; and

(ii) with regard to specified trust property subject to the application of the Investment Trust Property Accounting Regulation, a schedule of securities, a table of the status of contract amounts, etc. and market values of derivatives transactions and forward exchange transactions, a schedule of real property, etc., a schedule of other specified assets, and a schedule of borrowings are to be prepared in accordance with the forms specified by the Investment Trust Property Accounting Regulation.

(Omission of Preparation of Supplementary Schedules)

Article 124 If the amount of securities is not more than one percent of the total amount of assets, preparation of the supplementary schedule set forth in Article 121, paragraph (1), item (i) may be omitted.

Article 125 If the amounts of short-term borrowings, long-term borrowings, lease obligations, and other liabilities at the beginning of the relevant business year or the end of the relevant business year which require payment of interest (excluding corporate bonds) are not more than one percent of the combined total of liabilities and net assets at the beginning of the relevant business year or the end of the respective business years, preparation of the supplementary schedule set forth in Article 121, paragraph (1), item (iv) may be omitted.

Article 125-2 If the amount of asset retirement obligations at the beginning of the relevant business year or the end of the relevant business year is not more than one percent of the combined total of liabilities and net assets at the beginning of the relevant business year or the end of the respective business years, preparation of the supplementary schedule set forth in Article 121, paragraph (1), item (vi) may be omitted.

Article 126 If the preparation of any supplementary schedule has been omitted pursuant to the provisions of Article 124 or Article 125, an entry to that effect must be set down in the notes.

Chapter VII Financial Statements of Special Companies Submitting Financial Statements

(Standards for Preparation of Financial Statements of Special Companies Submitting Financial Statements)

Article 127 (1) Notwithstanding the provisions of the preceding Chapters, the forms for the financial statements to be prepared by a special company submitting financial statements may be in accordance with the forms specified in the following items for the respective categories of cases set forth in those items:

(i) the balance sheet: Form No. 5-2;

(ii) the profit and loss statement: Form No. 6-2;

(iii) the statement of changes in net assets: Form No. 7-2;

(iv) the schedule of tangible fixed assets, etc.: Form No. 11-2; and

(v) the schedule of allowances: Form No. 14-2.

(2) Notwithstanding the provisions set forth in the following items, a special company submitting financial statements may prepare notes on the matters specified in the those items in lieu of the notes specified in the provisions set forth in those items:

(i) Article 8-2: the matters set forth in the items of Article 101 of the Company Accounting Rules (Ministry of Justice Order No. 13 of 2006) (excluding immaterial matters);

(ii) Article 8-3-4: the matters set forth in the items of Article 102-3, paragraph (1) of the Company Accounting Rules (excluding immaterial matters);

(iii) Article 8-3-5: the matters set forth in the items of Article 102-4 of the Company Accounting Rules (excluding immaterial matters);

(iv) Articles 18 and 32-2: the matters set forth in Article 103, item (ix) of the Company Accounting Rules;

(v) Articles 39 and 55: the matters set forth in Article 103, item (vi) of the Company Accounting Rules;

(vi) Article 43: the matters set forth in Article 103, item (i) of the Company Accounting Rules;

(vii) Article 58: the matters set forth in Article 103, item (v) of the Company Accounting Rules; and

(viii) Articles 74, 88, 91, and 94: the total amount of transactions through business transactions with affiliated companies prescribed in Article 104 of the Company Accounting Rules.

(Statement to the Effect That the Company Falls under Special Company Submitting Financial Statements)

Article 128 When a special company submitting financial statements has prepared financial statements pursuant to the preceding Article, the following matters must be entered:

(i) a statement to the effect that the company falls under a special company submitting financial statements; and

(ii) a statement to the effect that the financial statements are prepared pursuant to the preceding Article.

Chapter VIII Financial Statements of Specified Companies Complying with Designated International Accounting Standards

(Standards for Preparation of Financial Statements of Specified Companies Complying with Designated International Accounting Standards)

Article 129 (1) The terminology, forms, and preparation methods of financial statements that a specified company complying with designated international accounting standards submits are subject to the provisions of Chapters I to VI.

(2) A specified company complying with designated international accounting standards may prepare financial statements pursuant to Designated International Accounting Standards in addition to financial statements prepared pursuant to the provisions of the preceding paragraph.

(Notes on Special Provisions for Accounting Standards)

Article 130 The following matters must be set down in the notes to financial statements prepared in accordance with Designated International Accounting Standards:

(i) if Designated International Accounting Standards are the same as International Accounting Standards (meaning the International Accounting Standards prescribed in Article 93 of the regulation on consolidated financial statements; hereinafter the same applies in this item and the following item), a statement to the effect that 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 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.

Chapter IX Financial Documents of Foreign Companies

(Standards for Preparation of Foreign Companies' Financial Documents)

Article 131 (1) If the Commissioner of the Financial Services Agency gives the approval for a foreign company to submit the documents on financial accounting that it discloses in its home country (including the state or any other region where the company is headquartered; the same applies hereinafter) as financial documents, on finding no risk of this impairing the public interest or the protection of the investors, the terminology, forms, and preparation methods of the financial documents are to be, except for the matters that the Commissioner of the Financial Services Agency finds necessary and gives instructions on, the terminology, forms, and preparation methods used in the home country.

(2) If the documents on financial accounting that a foreign company discloses in its home country have not been approved by the Commissioner of the Financial Services Agency based on the provisions of the preceding paragraph, and the Commissioner of the Financial Services Agency gives the approval for the foreign company to submit the documents on financial accounting that it discloses in an area outside Japan other than its home country as financial documents, on finding no risk of this impairing the public interest or the protection of the investors, the terminology, forms, and preparation methods of the financial documents are to be, except for the matters that the Commissioner of the Financial Services Agency finds necessary and gives instructions on, the terminology, forms, and preparation methods used in the area outside Japan other than its home country.

(3) If a foreign company that has been approved by the Commissioner of the Financial Services Agency to submit the documents on financial accounting that it discloses in an area outside Japan as financial documents pursuant to the provisions of the preceding two paragraphs, submits documents on financial accounting other than those that it discloses in that area, as financial documents, the terminology, forms, and preparation methods of the documents on financial accounting are to be in accordance with the instructions of the Commissioner of the Financial Services Agency.

(4) If the documents on financial accounting that a foreign company discloses in its home country or any other area outside Japan have not been approved by the Commissioner of the Financial Services Agency based on the provisions of paragraph (1) or paragraph (2), the terminology, forms, and preparation methods of financial documents to be submitted by the foreign company are to be in accordance with the instructions of the Commissioner of the Financial Services Agency.

(5) Notwithstanding the provisions of the preceding paragraphs, the terminology, forms, and preparation methods of financial documents which a foreign company that issues regulated securities (meaning regulated securities as prescribed in Article 5, paragraph (1) of the Act) submits with regard to those regulated securities are to be in accordance with the instructions of the Commissioner of the Financial Services Agency; provided, however, that if the Commissioner of the Financial Services Agency approves the foreign company to submit the documents on financial accounting prepared in its home country as financial documents, on finding no risk of impairing the public interest or the protection of the investors, the terminology, forms, and preparation methods of the financial documents are to be, except for the matters that the Commissioner of the Financial Services Agency finds necessary and gives instructions on, the terminology, forms, and preparation methods used in the home country.

(Notes on Accounting Standards)

Article 132 If any accounting principles or procedures adopted by a foreign company with regard to financial documents under paragraphs (1) to (4) of the preceding Article differ from accounting principles and procedures in Japan, the details thereof must be set down in the notes to the financial documents.

(Presentation Methods)

Article 133 (1) The provisions of Article 5, paragraph (2) and Article 8-3, item (ii) apply mutatis mutandis to financial documents submitted by a foreign company.

(2) If any presentation method of the financial documents submitted by a foreign company differs from the presentation method used in Japan, the details thereof must be set down in the notes in the financial documents.

(Presentation of Monetary Amounts)

Article 134 If the account titles and any other matters set down in financial documents submitted by a foreign company are presented in monetary amounts in a currency other than Japanese currency, the amounts for major matters are also to be entered in amounts that have been translated into Japanese currency. In this case, the translation standards adopted for the translation into Japanese currency must be set down in the notes to the financial documents.

(Notation Methods)

Article 135 (1) The notes to be included pursuant to the provisions of Article 132, Article 133, paragraph (2) and the preceding Article must be included as

Footnotes; provided, however, that notes that are found inappropriate to be included as Footnotes may be included in other appropriate places.

(2) The provisions of Article 9, paragraph (3) apply mutatis mutandis to the case of setting down matters in the notes pursuant to the provisions of Article 132 and Article 133, paragraph (2).