

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

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

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

Chapter I General Provisions (Articles 1 through 16)

Chapter II Consolidated Balance Sheets

Section 1 General Provisions (Articles 17 through 20)

Section 2 Assets (Articles 21 through 34-3)

Section 3 Liabilities (Articles 35 through 41-2)

Section 4 Net Assets (Articles 42 through 44-2)

Section 5 Miscellaneous Provisions (Articles 45 through 47)

Chapter III Consolidated Profit and Loss Statements

Section 1 General Provisions (Articles 48 and 50)

Section 2 Net Sales and Cost of Sales (Articles 51 through 54)

Section 3 Selling Expenses and General Administrative Expenses (Articles 55 to 56)

Section 4 Non-Operating Revenues and Non-Operating Expenses (Articles 57 through 61)

Section 5 Extraordinary Profit and Extraordinary Loss (Articles 62 through 64)

Section 6 Net Income for the Period or Net Loss for the Period (Articles 65 and 65-3)

Section 7 Miscellaneous Provisions (Articles 66 through 69)

Chapter III-2 Consolidated Statements of Comprehensive Income

Section 1 General Provisions (Articles 69-2 through 69-4)

Section 2 Other Comprehensive Income (Articles 69-5 and 69-6)

Section 3 Comprehensive Income (Article 69-7)

Chapter IV Consolidated Statements of Changes in Net Assets

Section 1 General Provisions (Articles 70 and 71)

Section 2 Shareholders' Equity (Article 72)

Section 3 Accumulated Other Comprehensive Income (Articles 73 and 74)

Section 4 Share Options (Article 75)

Section 5 Non-Controlling Interests (Article 76)

Section 6 Particulars to Be Stated in Notes (Articles 77 through 80)

Section 7 Miscellaneous Provisions (Article 81)

Chapter V Consolidated Cash Flow Statements

Section 1 General Provisions (Articles 82 and 83)

Section 2 Methods to Make Entries in Consolidated Cash Flow Statements
(Articles 84 through 87)

Section 3 Miscellaneous Provisions (Articles 88 through 90)

Chapter VI Consolidated Supplementary Schedules (Articles 91 through 92-2)

Chapter VII Special Provisions for Business Accounting Standards

Section 1 Designated International Accounting Standards (Articles 93 and
93-2)

Section 2 Japan's Modified International Standards (Articles 94 and 94-2)

Chapter VIII Miscellaneous Provisions (Articles 95 through 98)

Supplementary Provisions

Chapter I General Provisions

(General Principles for Application of this Regulations)

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

the equivalents to consolidated balance sheets, consolidated profit and loss statements, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated cash flow statements which are required to be prepared pursuant to the relevant designated international accounting standards or the relevant Japan's modified international standards; the same applies hereinafter) are governed by the provisions of this Regulation, except for those for which the provisions of Article 1-3 of the Regulation on Financial Statements are applied, and any particulars that are not provided for under this Regulation are following the business accounting standards generally accepted as fair and appropriate.

- (2) The business accounting standards published by the Business Accounting Council specified 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 specified in the preceding paragraph.
- (3) Those from among the business accounting standards prepared and published by organizations that research, study, and prepare business accounting standards on a regular basis, and that satisfy all of the following requirements (referred to as "specified organizations" in Article 94), which are specified by the Commissioner of the Financial Services Agency as those that are found to have been prepared and published under the 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 specified in paragraph (1):
 - (i) it is a private organization that is in an independent position in relation to any interested party;
 - (ii) it is funded continuously not by a specific person but a large number of persons;
 - (iii) it has set up a body with a council or any other panel consisting of persons competent to develop business accounting standards from a viewpoint of the expert with high level of knowledge (referred to as a "Standards Committee" in the following item and item (v));
 - (iv) its Standards Committee performs its duties in a fair and sincere manner; and
 - (v) its Standards Committee continuously conducts reviews in terms of proper responses to changes in the business environment surrounding the companies, etc. (meaning a company, designated corporation, partnership or any other business entity equivalent thereto (including a business entity equivalent thereto in a foreign country); the same applies hereinafter) and practices of companies, etc. and the international convergence (meaning ensuring the standardization of business accounting standards on an

international scale).

(Special Provisions for Application of this Regulations)

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

- (i) in the securities registration statement that it submits pursuant to the provisions of Article 5, paragraph (1) of the Act or in annual securities reports that it submits pursuant to the provisions of Article 24, paragraph (1) or (3) of the Act, it gives a statement that it makes special efforts to ensure the appropriateness of consolidated financial statements; and
- (ii) it has officers or employees who have sufficient knowledge of any designated international accounting standards and has established a system under which consolidated financial statements can be prepared in an appropriate manner under the designated international accounting standards.

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

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

(Definitions)

Article 2 In this Regulation, the meanings of the terms set forth in the following

items are as prescribed respectively in those items:

- (i) a company submitting consolidated financial statements: a company or designated corporation which is required to submit consolidated financial statements pursuant to the provisions of the Act;
- (ii) a parent company: an entity that is regarded as the parent company of a company submitting consolidated financial statements pursuant to the provisions of Article 8, paragraph (3) of the Regulation on Financial Statements;
- (iii) a subsidiary company: an entity that is regarded as a subsidiary company of a company submitting consolidated financial statements pursuant to the provisions of Article 8, paragraphs (3), (4), and (7) of the Regulation on Financial Statements;
- (iv) a consolidated subsidiary company: a subsidiary company that is included in the scope of consolidation;
- (v) a consolidated company: a company submitting consolidated financial statements and its consolidated subsidiary companies;
- (vi) a non-consolidated subsidiary company: a subsidiary company that is excluded from the scope of consolidation;
- (vii) an affiliated company: an entity that is regarded as an affiliated company of a company submitting consolidated financial statements pursuant to the provisions of Article 8, paragraphs (5) and (6) of the Regulation on Financial Statements;
- (viii) an equity method: a method whereby an investor company corrects its investment amount for each fiscal year, reflecting the fluctuations in the portions of the investee company's net assets, profit and loss which are vested in the investor company;
- (ix) deleted;
- (x) the securities registration statement: the securities registration statement specified in Article 2, paragraph (7) of the Act, which is specified by the provisions of Article 5, paragraph (1) of the Act (including as applied *mutatis mutandis* pursuant to Article 27 of the Act);
- (xi) the annual securities report: the annual securities report specified in Article 24, paragraph (1) of the Act;
- (xii) the non-controlling interests: the portion of a consolidated subsidiary company's capital which is not the equity in the company submitting consolidated financial statements;
- (xiii) cash flow: any increase or decrease in the funds specified in the following item;
- (xiv) funds: the total amount of cash (including any current deposits, ordinary deposits, and other deposits which the depositor is able to withdraw before a certain period of time elapses; the same applies in Chapter V) and cash

- equivalents (meaning short-term investments which can be easily converted into cash with low risk of value fluctuations; the same applies in Chapter V);
- (xv) the derivative transactions: the transactions specified in Article 8, paragraph (14) of the Regulation on Financial Statements;
 - (xvi) the trading securities: the securities specified in Article 8, paragraph (20) of the Regulation on Financial Statements;
 - (xvii) the bonds held to maturity: the bonds specified in Article 8, paragraph (21) of the Regulation on Financial Statements;
 - (xviii) other securities: securities specified in Article 8, paragraph (22) of the Regulation on Financial Statements;
 - (xix) treasury shares: the shares of a company submitting consolidated financial statements that it holds itself, , to which the shares constituting its equity that its consolidated subsidiary company, its non-consolidated subsidiary company to which the equity method is applied, and is affiliated company hold among the shares of a company submitting consolidated financial statements that they hold are added;
 - (xx) company's own shares: shares of consolidated companies;
 - (xxi) options on the company's own shares: call options to acquire its own shares (meaning the right to acquire the company's own shares which are the underlying assets, by paying a specified amount of money) which are the underlying assets;
 - (xxii) stock options: options on the company's own shares (meaning the options on the company's own shares specified in the preceding item) which consolidated companies pay their workers, etc. (meaning employees hired by the consolidated companies and officers (meaning the officers specified in Article 21, paragraph (1), item (i) of the Act (including as applied *mutatis mutandis* pursuant to Article 27 of the Act); the same applies hereinafter) of the consolidated companies; hereinafter the same applies in this item) as remuneration (meaning what the consolidated companies pay to their workers, etc. for labor, providing their services or the like);
 - (xxiii) a business combination: the business combination specified in Article 8, paragraph (27) of the Regulation on Financial Statements;
 - (xxiv) an acquiring enterprise: the enterprise specified in Article 8, paragraph (28) of the Regulation on Financial Statements;
 - (xxv) an acquired enterprise: the enterprise specified in Article 8, paragraph (29) of the Regulation on Financial Statements;
 - (xxvi) a combiner: the enterprise specified in Article 8, paragraph (31) of the Regulation on Financial Statements;
 - (xxvii) a combinee: the enterprise specified in Article 8, paragraph (32) of the Regulation on Financial Statements;
 - (xxviii) a combined enterprise: the enterprise specified in Article 8, paragraph

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

- consolidated financial statements for the previous consolidated fiscal year or any prior fiscal year;
- (xlv) reclassification of consolidated financial statements: a change in presentation in consolidated financial statements by assuming that a new presentation method is retroactively applied to the consolidated financial statements for the previous consolidated fiscal year or any prior fiscal year;
 - (xlvi) restatement: the reflection, in consolidated financial statements, of the correction of an error in consolidated financial statements for the previous consolidated fiscal year or any prior fiscal year;
 - (xlvii) retirement benefits: the retirement benefits specified in Article 8, paragraph (54) of the Regulation on Financial Statements;
 - (xlviii) retirement benefit obligations: the obligations specified in Article 8, paragraph (55) of the Regulation on Financial Statements;
 - (xlix) service cost: the cost specified in Article 8, paragraph (56) of the Regulation on Financial Statements;
 - (l) interest costs: the costs specified in Article 8, paragraph (57) of the Regulation on Financial Statements;
 - (li) pension assets: the assets specified in Article 8, paragraph (58) of the Regulation on Financial Statements;
 - (lii) expected return: the return specified in Article 8, paragraph (59) of the Regulation on Financial Statements;
 - (liii) actuarial gain/loss: the gain/loss specified in Article 8, paragraph (60) of the Regulation on Financial Statements;
 - (liiii) past service costs: the past service costs specified in Article 8, paragraph (61) of the Regulation on Financial Statements;
 - (liv) unrecognized actuarial gain/loss: the unrecognized actuarial gain/loss specified in Article 8, paragraph (62) of the Regulation on Financial Statements;
 - (lv) unrecognized past service costs: the unrecognized past service costs specified in Article 8, paragraph (63) of the Regulation on Financial Statements;
 - (lvi) a market participant: a person who purchases and sells in a market where quantity and frequency of transactions of assets or liabilities subject to the calculation of market values is the largest and highest, a market where the amount to be received through sale of the assets can be maximized or a market where the amount of payment from the transfer of the liabilities can be minimized, who satisfies all of the following requirements:
 - (a) a person is in an independent position respectively and is not a related party (meaning the related party prescribed in Article 15-4);
 - (b) a person has knowledge of the assets or liabilities and fully understands the assets or liabilities based on all the data available;

- (c) a person has the ability to conduct transactions of the assets or liabilities;
and
- (d) a person has the intention to voluntarily conduct transactions of the
assets or liabilities;
- (lvii) an input to a market value measurement: a basic numerical value or any
other information (including the quoted prices of the assets or liabilities)
that is assumed to be used by market participants in calculating the market
values of assets or liabilities;
- (lviii) observable input to a market value measurement: an input to a market
value measurement that is based on the available market data (meaning the
information that is disclosed in relation to actual events or transactions and
any other information);
- (lix) an unobservable input to a market value measurement: an input to a
market value measurement that is other than observable inputs to a market
value measurement and is based on the best information available; and
- (lx) levels of inputs to a market value measurement are categorized: levels
specified in (a) through (c) for the respective categories of inputs to a market
value measurement set forth in (a) through (c):
 - (a) among the observable inputs to a market value measurement, quoted
prices of assets or liabilities of which market values are to be calculated
that are formed in an active market (meaning a market where the
information on the prices of assets or liabilities of which market values are
to be calculated is continuously provided as the transactions of the assets
or liabilities are conducted in sufficient quantity and frequency): level 1;
 - (b) among the observable inputs to a market value measurement, inputs to a
market value measurement that are other than the inputs to a market
value measurement set forth in (a): level 2; and
 - (c) unobservable inputs to a market value measurement: level 3.

(Consolidated Closing Date and Consolidated Fiscal Year)

- Article 3 (1) A company submitting consolidated financial statements is to
specify the last day of its fiscal year as its consolidated closing date, and
prepare consolidated financial statements based on the relevant date.
- (2) In the case referred to in the preceding paragraph, the period for which
consolidated financial statements are prepared (hereinafter referred to as the
"consolidated fiscal year") is the period from the day following the consolidated
closing date preceding the relevant consolidated closing date to the relevant
consolidated closing date.
- (3) If the consolidated closing date is changed, a statement to that effect, the
reason for the change, and the period of the consolidated fiscal year due to the
change must be set down in the notes in the consolidated financial statements.

(General Principles for Preparation of Consolidated Financial Statements)

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

- (i) the consolidated financial statements must present the contents that are true concerning the financial position, financial performance and cash flow situation of the business group (meaning the company submitting consolidated financial statements and its subsidiary companies; the same applies hereinafter);
 - (ii) the consolidated financial statements are prepared based on the financial statements of consolidated companies that have been prepared in compliance with the business accounting standards generally accepted as fair and appropriate;
 - (iii) the consolidated financial statements must clearly present the accounting information necessary for preventing interested parties of the company submitting consolidated financial statements from making an erroneous determination on the financial position, financial performance and cash flow situation of the business group; and
 - (iv) the accounting principles and procedures used by the company submitting consolidated financial statements for preparing the consolidated financial statements are being applied continuously throughout each consolidated fiscal year, except when those are changed based on justifiable grounds.
- (2) The same methods must be used for preparation of the same contents to be included in consolidated financial statements, throughout each consolidated fiscal year for which consolidated financial statements are prepared; provided, however, that this does not apply if there is justifiable grounds to change the methods.

(Scope of Consolidation)

Article 5 (1) A company submitting consolidated financial statements must include all of its subsidiary companies in the scope of consolidation; provided, however, that a subsidiary company falling under any of the following items must not be included in the scope of consolidation:

- (i) a subsidiary company which is found to only have temporary control over its body which makes decisions on financial and operational policies or business policies (meaning a shareholders meeting or any other its bodies equivalent thereto); and
- (ii) a subsidiary company whose inclusion in the scope of consolidation is considered to be likely to seriously mislead the interested parties of the company submitting consolidated financial statements into making a

erroneous determination.

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

(Consolidated Balance Sheets)

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

(Consolidated Profit and Loss Statements)

Article 7 A consolidated balance sheet must be prepared based on the amount of revenues, expenses, etc. reported on the profits and loss statements of

consolidated companies for the period corresponding to the consolidated fiscal year of the company submitting consolidated financial statements (with regard to any relevant consolidated subsidiary company which settles its accounts under Article 12, paragraph (1), the profit and loss statement pertaining to the settlement of accounts).

(Consolidated Statements of Comprehensive Income)

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

(Consolidated Statements of Changes in Net Assets)

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

(Consolidated Cash Flow Statements)

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

(Preparation of Comparative Information)

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

(Valuation of Assets and Liabilities of Consolidated Subsidiary Companies)

Article 9 When preparing consolidated financial statements, assets and liabilities of consolidated subsidiary companies must be valued, investments by the company submitting consolidated financial statements in its consolidated subsidiary companies must be offset against the corresponding

equity in the consolidated subsidiary companies, and any other necessary items that are transacted between the consolidated companies must be offset.

(Application of Equity Method)

Article 10 (1) Investments in any non-consolidated subsidiary company or affiliated company must be recorded on a consolidated balance sheet by indicating the values calculated by using the equity method; provided, however, that the equity method does not apply to investments in a company that falls under any of the following items:

- (i) an affiliated company whose impact on the decision-making on the financial and operational policies or business policies is found to be temporarily; or
- (ii) a non-consolidated subsidiary company or affiliated company for which the equity method is applicable is considered to be likely to seriously mislead interested parties of the company submitting consolidated financial statements to making a erroneous determination.

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

(Application of Tax Effect Accounting)

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

(Subsidiary Company Having Different Accounting Period)

Article 12 (1) Any consolidated subsidiary company whose last day of its fiscal year is different from the consolidated closing date must, on the consolidated closing date, settle its accounts necessary for preparing financial statements that serve as the basis for preparation of consolidated financial statements;

provided, however, that this does not apply if the length of time between the last day of the fiscal year of the consolidated subsidiary company and the consolidated closing date is not more than three months, and consolidated financial statements are prepared based on financial statements for that fiscal year.

- (2) When preparing consolidated financial statements pursuant to the provisions of the proviso to the preceding paragraph, any material discrepancy in accounting records pertaining to the transactions between consolidated companies that result from the fact that the last day of the fiscal year of the consolidated subsidiary company is different from the consolidated closing date, must be adjusted.

(Notes Related to Scope of Consolidation)

Article 13 (1) Particulars for the scope of consolidation and other material particulars that serve as the basis for preparing consolidated financial statements must be set down in the notes separately for the following particulars:

- (i) particulars for the scope of consolidation;
- (ii) particulars for the application of the equity method;
- (iii) particulars for the fiscal year, etc. of its consolidated subsidiary companies; and
- (iv) particulars for the accounting policies.

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

- (i) the number of consolidated subsidiary companies and the names of major consolidated subsidiary companies;
- (ii) if there are any non-consolidated subsidiary companies, the names of major non-consolidated subsidiary companies and the reason for excluding them from the scope of consolidation;
- (iii) if the company submitting consolidated financial statements does not regard the other company, etc. as its subsidiary company even though it holds a majority of the voting rights of the other company, etc. on its own account, the name of the relevant other company, etc. and the reason for not regarding it as its subsidiary company; and
- (iv) if there is any special purpose company that should be disclosed (meaning the special purpose company that should be disclosed specified in Article 8-9,

- item (ii) of the Regulation on Financial Statements; hereinafter the same applies in this item), the outline of the special purpose company that should be disclosed, the outline and transaction amounts of transactions with the special purpose company that should be disclosed, and any other material particulars.
- (3) With regard to the particulars for the application of the equity method set forth in paragraph (1) (ii), the following particulars are to be provided:
- (i) the number of non-consolidated subsidiary companies or affiliated companies to which the equity method is applied and the names of major companies among them;
 - (ii) if there are any non-consolidated subsidiary companies or affiliated companies to which the equity method is not applied, the names of major companies among them;
 - (iii) if there are any non-consolidated subsidiary companies or affiliated companies to which the equity method is not applied, the reason for not applying the equity method;
 - (iv) if the company submitting consolidated financial statements does not regard the other company, etc. even though it holds not less than 20 percent but not more than 50 percent of the voting rights of another company, etc. on its own account, the name of the relevant other company, etc. and the reason for not regarding it as its affiliated company; and
 - (v) if there are any particulars that are found to be particularly necessary to be provided with regard to the procedure for applying the equity method, the details thereof.
- (4) With regard to the particulars for the fiscal year, etc. of consolidated subsidiary companies set forth in paragraph (1), item (iii), if there is any consolidated subsidiary company whose last day of its fiscal year is different from the consolidated closing date, the details thereof and whether or not the consolidated subsidiary company has settled its accounts for preparing financial statements that serve as the basis for preparation of consolidated financial statements are to be stated.
- (5) With regard to the particulars for accounting policies set forth in paragraph (1), item (iv), the particulars that serve as the basis for preparation of consolidated financial statements that contribute to the understanding of investors and other users of consolidated financial statements are to be stated.

(Notes on Material Accounting Estimates)

Article 13-2 The provisions of Article 8-2-2 (excluding paragraphs (3) and (4)) of the Regulation on Financial Statements apply mutatis mutandis to material accounting estimates. In this case, the terms "fiscal year" and "financial statements" in paragraph (1) of that Article are deemed to be replaced with

"consolidated fiscal year" and "consolidated financial statements" respectively.

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

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

(Notes on Changes in Accounting Policies Occasioned by the Revision of Accounting Standards)

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

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

Article 14-3 The provisions of Article 8-3-2 (excluding the proviso to paragraph (1) and the proviso to paragraph (2)) of the Regulation on Financial Statements apply mutatis mutandis to the case where a change in accounting policies is made based on justifiable grounds other than a revision, etc. of accounting standards, etc. In this case, the terms "fiscal year" and "financial statements" in that Article are deemed to be replaced with "consolidated fiscal year" and "consolidated financial statements" respectively.

(Notes on Unapplied Accounting Standards)

Article 14-4 The provisions of Article 8-3-3, paragraphs (1) and (2) of the Regulation of Financial Statements apply mutatis mutandis to the case where there is any accounting standard which is not applied among the accounting standards, etc. which have already been published. In this case, the term "financial statements" in paragraph (1), item (iii) of that Article is deemed to be replaced with "consolidated financial statements".

(Notes on Changes in Presentation Methods)

Article 14-5 The provisions of Article 8-3-4 (excluding paragraph (4)) of the

Regulation on Financial Statements apply mutatis mutandis to the case where a change in presentation method is made. In this case, the terms "financial statements" and "fiscal year" in that Article are deemed to be replaced with "consolidated financial statements" and "consolidated fiscal year" respectively.

(Notes on Changes in Accounting Estimates)

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

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

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

(Notes on Restatement)

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

(Notes on Material Post-Balance Sheet Events)

Article 14-9 If any event that has a significant influence on the financial position, financial performance and cash flow situation of consolidated companies, as well as non-consolidated subsidiary companies and affiliated companies to which the equity method is applied, in and after the following consolidated fiscal year should occur after the consolidated closing date hereinafter referred to as "material post-balance sheet events"), those events must be set down in the notes; provided, however, that, with regard to any subsidiary company or affiliated company whose last day of its fiscal year is different from the consolidated closing date, the events that occur after the balance sheet date of the subsidiary company or affiliated company must be set

down in the notes.

(Notes on Additional Information)

Article 15 In addition to the notes particularly specified by this Regulation, if there are any particulars that are found to be necessary for interested parties of the company submitting consolidated financial statements to make adequate determination on the financial position, financial performance and cash flow situation of the business group, those particulars must be set down in the notes.

(Notes on Segment Information)

Article 15-2 (1) With regard to information on an enterprise unit (hereinafter referred to as a "reporting segment") (hereinafter referred to as "segment information"), the following particulars must be set down in the notes as specified in Form No. 1:

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

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

- (i) information on each product and service;
- (ii) information on each region; and
- (iii) information on each major customer.

(3) If the following items are recorded on the consolidated balance sheet or the consolidated profit and loss statement, the outline of each reporting segment must be set down in the notes as specified in Form No. 3:

- (i) the impairment of fixed assets;
- (ii) the amortization of goodwill and the unamortized balance; or
- (iii) the gain on negative goodwill.

(4) Notwithstanding the provisions of the preceding three paragraphs, notes on immaterial particulars may be omitted.

(Notes on Lease Transactions)

Article 15-3 The provisions of Article 8-6 (excluding paragraph (4)) of the Regulation on Financial Statements apply mutatis mutandis to lease

transactions. In this case, the term "company submitting financial statements" in paragraphs (1) and (3) of that Article is deemed to be replaced with "consolidated companies", the term "as of the end of the current fiscal year" in paragraph (1), item (i), (a), and item (ii) of that paragraph, and paragraph (2) of that Article is deemed to be replaced with "as of the end of the current consolidated fiscal year", the term "balance sheet date" in paragraph (1), item (ii), (b) of that Article is deemed to be replaced with "consolidated closing date", and the term "balance sheet" in paragraph (3) of that Article is deemed to be replaced with "consolidated balance sheet".

(Scope of Related Parties)

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

- (i) the parent company of a company submitting consolidated financial statements;
- (ii) a non-consolidated subsidiary company of a company submitting consolidated financial statements;
- (iii) a company, etc. having the same parent company as a company submitting consolidated financial statements;
- (iv) any other associated company of the company submitting consolidated financial statements (meaning the relevant other company, etc. if the company submitting consolidated financial statements is an affiliated company of another company, etc.; hereinafter the same applies in this item) and the parent company or a subsidiary company of any other associated company;
- (v) an affiliated company of a company submitting consolidated financial statements, and a subsidiary company of the affiliated company;
- (vi) a major shareholder of a company submitting consolidated financial statements (meaning a major shareholder as specified in Article 163, paragraph (1) of the Act) and a close relative thereof (meaning a relative within the second degree of consanguinity; the same applies in the following item through item (ix));
- (vii) an officer of a company submitting consolidated financial statements and a close relative thereof;
- (viii) an officer of the parent company of a company submitting consolidated financial statements and a close relative thereof;
- (ix) an officer of a material subsidiary company of a company submitting consolidated financial statements and a close relative thereof;
- (x) a company, etc. whose majority of voting rights are held by persons set forth in the preceding four items on their own account, and a subsidiary company of the company, etc.; or

- (xi) a corporate pension for the employees of a company submitting financial statements (limited to the case where the related party has material business transactions (excluding premium contributions) with the company submitting consolidated financial statements or a consolidated subsidiary company).

(Notes on Business Transactions with Related Parties)

Article 15-4-2 (1) If a company submitting consolidated financial statements has business transactions with any related party (including the business transactions that the related party has with the company submitting consolidated financial statements for the benefit of a third party and any business transactions made between the company submitting consolidated financial statements and a third party where the related party that has its significant influence on the company submitting consolidated financial statements with regard to the business transactions), the following particulars set forth in the following items must be set down in the notes on material business transactions with each related party, in principle:

- (i) if the related party is a company, etc., its name, location, and stated capital or capital contribution, description of its business, and the ratio of voting rights in the related party held by the company submitting consolidated financial statements, or the ratio of voting rights in the company submitting consolidated financial statements held by the related party;
- (ii) if the related party is an individual, the name and occupation, and the ratio of voting rights in the company submitting consolidated financial statements held by the related party;
- (iii) the relationship between the company submitting consolidated financial statements and the related party;
- (iv) the details of the business transactions;
- (v) the transaction amount by business transaction type;
- (vi) trade terms of transactions and the policy for determining the trade terms of transactions;
- (vii) the ending balances of the respective major account titles pertaining to claims and obligations arising from transactions;
- (viii) if trade terms of transactions were changed, a statement to that effect, the details of the change, and the description of the impact that the change has on the consolidated financial statements;
- (ix) if claims against the related party are categorized as claims with a possibility of default (meaning claims with a possibility of default specified in Article 8-10, paragraph (1), item (ix) of the Regulation on Financial Statements) or bankruptcy or reorganization claims, etc. (meaning bankruptcy or reorganization claims, etc. specified in that item; the same

applies in Article 23, paragraph (1), item (iii)), the following particulars:

- (a) the balance of allowance for doubtful accounts as of the end of the current consolidated fiscal year;
 - (b) the provision of allowance for doubtful accounts, etc. recorded for the current consolidated fiscal year; and
 - (c) the bad debt losses, etc. (including any bad debt losses incurred if the claims were categorized as general claims (meaning general claims specified in Article 8-10, paragraph (1), item (ix), (c) of the Regulation on Financial Statements)) recorded for the current consolidated fiscal year; and
 - (x) if any allowances other than the allowance for doubtful accounts of transactions with the related party are established, particulars equivalent to those set forth in the preceding items regarding any of those allowances that are found appropriate to be stated in the notes.
- (2) Notwithstanding the provisions of the preceding paragraph, the particulars set forth in items (ix) and (x) of that paragraph may be provided in total amount by each type of related party set forth in the items of Article 15-4.
- (3) The provisions of the preceding two paragraphs apply mutatis mutandis to the case a consolidated subsidiary company has business transactions with a related party.
- (4) For any business transactions with a related party which have been offset when preparing consolidated financial statements, the notes are not required.
- (5) For any transactions with a related party, which are specified in the following items, the notes specified in paragraph (1) are not required:
- (i) transactions by general competitive bidding, receipt of interest on deposits and dividends, and other transactions of which trade terms are apparently the same as general transactions in terms of the nature of the business transactions; and
 - (ii) payment of remunerations, bonuses and retirement bonuses to officers.
- (6) The particulars set forth in paragraph (1) (including as applied mutatis mutandis pursuant to paragraph (3)) must be set down in the notes as specified in Form No. 1 of the Regulation on Financial Statements

(Notes on Parent Company or Any Material Affiliated Company)

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

- (i) parent company: the name of the parent company and, if the securities issued by the parent company are listed on a financial instruments exchange (meaning a financial instruments exchange specified in Article 2, paragraph (16) of the Act, including those established in the regions outside Japan

- which is of the same nature; hereinafter the same applies in this item), a statement to that effect and the name of the financial instruments exchange, and if the securities issued by the parent company are not listed on a financial instruments exchange, a statement to that effect; and
- (ii) material affiliated company: the name of any material affiliated company and the amount of the following items on the balance sheet and the profit and loss statement of any material affiliated company based on which the amount of investment return or investment loss has been calculated by using the equity method:
 - (a) balance sheet items (meaning total current assets, total fixed assets, total current liabilities, total fixed liabilities, total net assets, and any other material items); and
 - (b) profit and loss statement items (meaning net sales, the amount of net income for the period before taxes or the amount of net loss for the period before taxes, the amount of net income the period or the amount of net loss for the period, and any other material items).
- (2) The amount of items set forth in item (ii), (a) and (b) of the preceding paragraph may, notwithstanding the provisions of that paragraph, be recorded by any of the following methods. In this case, a statement to that effect must be provided:
- (i) the method to record the combined amounts for the material affiliated companies; or
 - (ii) the method to record the combined amounts for affiliated companies based on which the amount of investment return or investment loss has been calculated by using the equity method.

(Notes on Tax Effect Accounting)

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

- (i) a list of major causes of the deferred tax assets that arise (meaning the amount recorded as assets by using the tax effect accounting; the same applies hereinafter) and deferred tax liabilities (meaning the amount recorded as liabilities by using the tax effect accounting; the same applies hereinafter);
- (ii) if there is a difference between the tax rate used for calculating the corporation tax, etc. of the company submitting consolidated financial statements for the relevant consolidated fiscal year (hereinafter referred to as the "normal effective statutory tax rate" in this Article) and the ratio of the corporation tax, etc. (including the deferred corporation tax, etc. reported by using the tax effect accounting to the net income for the period before the

- corporate tax, etc. is deducted (hereinafter referred to as the "corporate tax rates, etc. after the tax effect accounting is used" in this Article), the list of the causes of the differences, by major item;
- (iii) if the amount of deferred tax assets and the amount of deferred tax liabilities have been corrected due to the change in the corporate tax rates, etc., a statement to that effect and the corrected amount thereof; and
 - (iv) if the corporate tax rates, etc. have changed after the consolidated closing date, the details of the change and the impact thereof.
- (2) If any amount is deducted from the deferred tax assets when calculating the deferred tax assets (hereinafter referred to as the "valuation allowance" in this Article), the particulars set forth in the following items must be set down in the notes in addition to the particulars set forth in item (i) of the preceding paragraph:
- (i) the valuation allowance; and
 - (ii) if any material change in the valuation allowance arises, the main cause of the change.
- (3) If losses carried forward (meaning net operating loss (meaning the excess amount of loss in the case where deductible expenses for a fiscal year exceed gross profits for the fiscal year, when calculating the amount of income for each fiscal year under the provisions of laws and regulations pertaining to corporation tax, etc.) that can be carried forward up to the time when carryover is permitted under the provisions of laws and regulations pertaining to corporate tax, etc. (referred to as the "carryover limit" in item (i)); hereinafter the same applies in this paragraph) are provided in the particulars set forth in paragraph (1), item (i) and the losses carried forward are material, the particulars set forth in the following items must also be set down in the notes:
- (i) the following particulars pertaining to the losses carried forward by each carryover limit:
 - (a) the amount obtained by multiplying the losses carried forward by the normal effective statutory tax rate for each taxable entity;
 - (b) the valuation allowance pertaining to the losses carried forward;
 - (c) the amount of deferred tax assets pertaining to the losses carried forward;and
 - (ii) if material deferred tax assets pertaining to the losses carried forward are recorded, the major grounds for determining that the deferred tax assets can be recovered.
- (4) With regard to the particulars set forth in paragraph (1), item (ii), the notes may be omitted if the difference between the normal effective statutory tax rates and the corporate tax rates, etc. after the tax effect accounting is used is not more than five percent of the normal effective statutory tax rates.

(Notes on Financial Instruments)

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

(i) the following particulars concerning the conditions of financial instruments:

- (a) the policy on dealing in financial instruments;
- (b) the description of financial instruments and the risks involved in the financial instruments; and
- (c) the risk management system for financial instruments;

(ii) the following particulars concerning the market prices of financial instruments:

- (a) the amounts recorded on the consolidated balance sheet for the respective account titles of the consolidated balance sheet as of the consolidated closing date;
- (b) the market prices for the respective account titles of the consolidated balance sheet as of the consolidated closing date;
- (c) the differences between the amounts recorded on the consolidated balance sheet for the respective account titles of the consolidated balance sheet as of the consolidated closing date and the market prices for the respective account titles of the consolidated balance sheet as of the consolidated closing date; and
- (d) explanations on the particulars set forth in (b) and (c); and

(iii) the following particulars concerning the breakdown of categories of the market values of financial instruments (limited to financial instruments that are set down in the notes pursuant to the provisions of the preceding item; hereinafter the same applies in this item) which are classified according to levels of inputs to a market value measurement that have a significant influence on the calculation of the market values:

- (a) in the case of financial instruments recorded on the consolidated balance sheet at market values, particulars set forth in 1. to 3. for each item after the financial instruments are classified into appropriate items:
 - 1. the combined amount of the market values of financial instruments categorized into level 1 as of the consolidated closing date;
 - 2. the combined amount of the market values of financial instruments categorized into level 2 as of the consolidated closing date; and
 - 3. the combined amount of the market values of financial instruments categorized into level 3 as of the consolidated closing date;
- (b) in the case of financial instruments other than financial instruments recorded on the consolidated balance sheet at market values, particulars set forth in 1. through 3. for each item after the financial instruments are classified into appropriate items:

1. the combined amount of the market values of financial instruments categorized into level 1 as of the consolidated closing date;
 2. the combined amount of the market values of financial instruments categorized into level 2 as of the consolidated closing date; and
 3. the combined amount of the market values of financial instruments categorized into level 3 as of the consolidated closing date;
- (c) in the case of financial instruments set down in the notes pursuant to the provisions of (a), 2. or 3. or (b), 2. or 3., the particulars set forth in 1. and 2.:
1. explanation of valuation techniques used for the calculation of market values and inputs to a market value measurement; and
 2. if valuation techniques used for the calculation of market values or application thereof is changed, a statement to that effect and reasons therefor; and
- (d) in the case of financial instruments that are set down in the notes pursuant to the provisions of (a), 3., the particulars set forth in 1. to 5.:
1. quantitative information on material unobservable inputs to a market value measurement that were used for the calculation of market values;
 2. a reconciliation from the beginning balance of the financial instruments to the ending balance thereof;
 3. explanation of the valuation process of the market values of financial instruments categorized into level 3;
 4. explanation of an impact on relevant market values when market values as of the consolidated closing date fluctuate greatly due to a change in a material unobservable input to a market value measurement that was used for the calculation of market values; and
 5. if there is a correlation between a material unobservable input to a market value measurement that was used for the calculation of market values and another material unobservable input to a market value measurement, explanation of the correlation in detail and its impact on the market values.
- (2) Notwithstanding the provisions of the main clause of the preceding paragraph, the particulars set forth in item (ii) of that paragraph are may be omitted for shares without a market price, capital investments, and other financial instruments equivalent thereto. In this case, a statement to that effect, as well as the outline of the financial instruments and the amounts recorded on the consolidated balance sheet, must be set down in the notes.
- (3) With regard to a consolidated company of which financial assets (meaning the financial assets specified in Article 8, paragraph (41) of the Regulation on Financial Statements; hereinafter the same applies in this paragraph) and

financial liabilities (meaning the financial liabilities specified in paragraph (41) of that Article; hereinafter the same applies in this paragraph) respectively account for a large portion of the total amount of assets and the total amount of liabilities, and both of the financial assets and financial liabilities are material in light of the business purpose of the company, if the fluctuation rate in the values of the financial assets and financial liabilities against the fluctuations in the market price and other indicators, which are the causes of major market risks of the financial assets and financial liabilities (meaning risk due to fluctuations in the money rates, values of currencies, market prices in financial instrument market (meaning the financial instrument markets specified in Article 2, paragraph (14) of the Act; hereinafter the same applies in this paragraph) and other indicators; hereinafter the same applies in this paragraph and the following paragraph) are material, the particulars specified in the following items for the respective categories of financial instruments set forth in those items must be set down in the notes:

- (i) financial instruments for which quantitative analyses on market risks are used for the risk management: the quantitative information based on the analyses and information related thereto; or
- (ii) financial instruments for which quantitative analysis of market risks are not used in the risk management: the particulars set forth in (a) and (b) below:
 - (a) the fact that quantitative analysis of market risks are not used in the risk management; and
 - (b) increases and decreases in market prices that are calculated by assuming a reasonable range of fluctuations in the money rates, values of currencies, market prices in financial instruments markets and any other indicators, which are the causes of market risks, and information related thereto.

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

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

(6) With regard to corporate bonds, long-term borrowings, lease obligations and any other debts on which interests must be paid, the total amount of the debts to be paid back within a certain period of time must be set down in the notes; provided, however, that if the amount is recorded in a schedule of corporate

bonds or a schedule of borrowings, etc. prescribed in Article 92, paragraph (1), a statement to that effect may be set down in the notes in lieu of the notes on the amount.

(Notes on Securities)

Article 15-6 (1) In addition to the particulars specified in the preceding Article, with regard to securities, the particulars 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 particulars:

- (i) trading securities: the valuation difference included in the profit or loss for the current consolidated fiscal year;
- (ii) held-to-maturity bonds: held-to-maturity bonds that are classified into those of which market prices as of the consolidated closing date exceed the amount recorded on the consolidated balance sheet as of the consolidated closing date and those of which market prices do not exceed the amount recorded on the consolidated balance sheet, the following particulars for the respective categories:
 - (a) the amount recorded on the consolidated balance sheet as of the consolidated closing date;
 - (b) the market price as of the consolidated closing date; and
 - (c) the difference between the amount recorded on the consolidated balance sheet as of the consolidated closing date and the market price as of the consolidated closing date;
- (iii) other securities: securities (meaning shares, bonds and any other securities; the same applies in item (v)) classified into those whose amount recorded on the consolidated balance sheet as of the consolidated closing date exceeds the acquisition cost and those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost, the following particulars for each of those categories:
 - (a) the amount recorded on the consolidated balance sheet as of the consolidated closing date;
 - (b) the acquisition costs; and
 - (c) the difference between the amount recorded on the consolidated balance sheet as of the consolidated closing date and the acquisition cost;
- (iv) held-to-maturity bonds that were sold off during the current consolidated fiscal year: the cost of the bonds sold, the sale price, the profit or loss on sale, and the reason for the sale, by class of bonds; and
- (v) other securities that were sold off during the current consolidated fiscal year: the sale price, the total amount of profit on sales and the total amount of loss on sales, by class of securities.

- (2) If the purpose for holding securities held for trading, bonds held to maturity, subsidiary company shares, affiliated company shares, or other securities has been changed during the current consolidated fiscal year, a statement to that effect, the reason for the change (limited to the case where the purpose for holding bonds held to maturity has been changed), and details of the impact of the change on the consolidated financial statements must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars.
- (3) If impairment losses on securities have been recognized during the current consolidated fiscal year, a statement to that effect and the amount of the impairment losses must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars.

(Notes on Derivative Transactions)

Article 15-7 (1) In addition to the particulars prescribed in Article 15-5-2, with regard to derivative transactions, the particulars 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 particulars:

- (i) derivative transactions to which hedge accounting (meaning the accounting process prescribed in Article 8, paragraph (69) of the Regulation on Financial Statements; hereinafter the same applies in this paragraph and paragraph (3)) is not used: the following particulars by type of the subject matter of transactions (meaning currencies, money rates, shares, bonds, commodities and any other subject matter of transactions; the same applies in the following item):
 - (a) the contract amount as of the consolidated closing date or the amount equivalent to principal amount specified in the contract; and
 - (b) the market price and valuation gain or loss as of the consolidated closing date;
 - (ii) derivative transactions to which hedge accounting is used: the following particulars by type of subject matter of transactions:
 - (a) the contract amount as of the consolidated closing date or the amount equivalent to principal amount specified in the contract; and
 - (b) the market price as of the consolidated closing date.
- (2) The particulars prescribed in item (i) of the preceding paragraph must be provided respectively according to the transaction types (meaning futures transactions, options transactions, forward transactions, swap transactions and any other derivative transactions; the same applies in the following paragraph), market transactions (meaning the market transactions specified in Article 8, paragraph (10), item (iii) of the Regulation on Financial Statements) and transactions other than market transactions, those pertaining to purchase

contracts and those pertaining to sale contracts, the length of time from the consolidated closing date to the settlement date of the transaction or to the date on which the contract ends, and other particulars.

- (3) The particulars prescribed in paragraph (1), item (ii) must be provided respectively for the method of hedge accounting, the type of transactions, the hedged items (meaning the hedged items prescribed in Article 8, paragraph (69) of the Regulation on Financial Statements; the same applies in Article 43-2, paragraph (1), item (ii)), and other particulars.

(Notes on Retirement Benefits Under Defined Benefit Plan)

Article 15-8 (1) If a defined benefit plan (meaning the defined benefit plan prescribed in Article 8-13, paragraph (1) of the Regulation on Financial Statements; the same applies in item (i)) is adopted for retirement benefits, the following particulars 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 that arose;
 - (d) the amount of retirement benefits paid;
 - (e) the amount of the past service cost that arose; 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 that arose;
 - (c) the amount of contribution from the company, etc. which is the employer;
 - (d) the amount of retirement benefits paid; and
 - (e) others;
- (iv) a reconciliation of the ending balances of retirement benefit obligations and pension assets and the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet;
- (v) the amounts of the retirement benefit costs and the following itemized breakdown:
 - (a) the service cost;
 - (b) the interest cost;
 - (c) the expected return;
 - (d) the amount of the actuarial gain/loss reported as costs;
 - (e) the amount of the past service cost reported as costs; and
 - (f) others;

- (vi) the amount of the remeasurements of defined benefit plans (meaning the total amount set forth in (a) to (c) below; the same applies in Article 69-5, paragraph (1), item (iv)) and the following itemized breakdown:
 - (a) the total amount of the actuarial gain/loss arisen (excluding the amount that has been recorded as expenses in the current consolidated fiscal year) and the amount of unrecognized actuarial gain/loss recorded as accumulated remeasurements of defined benefit plans (meaning the total amount set forth in (a) to (c) of the following item; the same applies in this paragraph and Article 43-2, paragraph (1), item (v)) which corresponds to the amount that has been recorded as expenses;
 - (b) the total amount of the past service cost that arose (excluding the amount that has been recorded as the cost in the current consolidated fiscal year) and the amount of unrecognized past service cost recorded as accumulated remeasurements of defined benefit plans which corresponds to the amount that has been recorded as the cost; and
 - (c) others;
 - (vii) the amounts of accumulated remeasurements of defined benefit plans and the following itemized breakdown:
 - (a) unrecognized actuarial gain/loss;
 - (b) unrecognized past service cost; and
 - (c) others;
 - (viii) the following particulars concerning pension assets:
 - (a) the major components of pension assets (if, with regard to a corporate pension plan (meaning a plan whereby a company, etc. pays retirement benefits by using assets accumulated outside of the company, etc. as the resource) for which a retirement benefit trust (meaning a trust for the retirement benefits) has been established, the ratio of the amount of trust property pertaining to the retirement benefit trust to the total amount of pension assets is material, the ratio or amount is to be included therein); and
 - (b) the method to determine the long-term expected rate of return;
 - (ix) the following particulars concerning the actuarial calculation basis:
 - (a) the discount rate;
 - (b) the long-term expected rate of return; and
 - (c) others; and
 - (x) any other particulars.
- (2) Either one of the items set forth in item (ii), (f), item (iii), (e), item (vi), (c), and item (vii), (c) of the preceding paragraph must be recorded with the name that indicates the item, unless its amount is found to be immaterial.

(Notes on Retirement Benefits Under Defined-Contribution Plan)

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

(Notes on Retirement Benefits Under Multi-Employer Plan)

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

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

Article 15-9 The provisions of Article 8-14, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to cases where stock options or options on the company's own shares are granted or the company's own shares are issued. In this case, the term "fiscal year" in item (i) of that paragraph is deemed to be replaced with "consolidated fiscal year".

(Notes on Stock Options)

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

fiscal year", "end of the current consolidated fiscal year", and "end of the consolidated fiscal year" respectively, and the term "conditions during the current fiscal year" in paragraph (4) of that Article is deemed to be replaced with "conditions during the current consolidated fiscal year".

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

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

(Notes to Be Set Down If Business Combination Through Acquisition Has Been Implemented)

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

- (i) the outline of the business combination;
- (ii) the period of performance of the acquired enterprise or the acquired business included in the consolidated financial statements;
- (iii) the acquisition cost of the acquired enterprise or the acquired business, and the breakdown of the cost by type of consideration;
- (iv) if shares have been issued as the consideration for acquisition, the exchange rate and the calculation method thereof and the number of shares issued or to be issued by type of shares;
- (v) the description and amount of major costs related to acquisition;
- (vi) if the acquisition has been carried out through multiple transactions, the difference between the acquisition cost of the acquired enterprise and the total amount of the cost of the respective transactions leading to the acquisition;
- (vii) the amount of goodwill that arose, the cause of goodwill that arose, the amortization method, and the amortization period, or the amount of gain on negative goodwill and the cause of negative goodwill that arose;
- (viii) the amount of assets accepted and liabilities assumed on the date of the business combination, and major components thereof;
- (ix) the description of contingent consideration (meaning the consideration for acquisition that is additionally issued, transferred or returned depending on future events or transaction results after the conclusion of the business combination, which is specified in the business combination contract) provided for in the business combination contract and the accounting policy

- for the current consolidated fiscal year and thereafter;
- (x) if most of the acquisition cost is allocated to intangible fixed assets other than goodwill, the amount that is allocated to intangible fixed assets other than goodwill, the breakdown by major type thereof, and the weighted average amortization period for all the intangible fixed assets other than goodwill and by major type thereof;
 - (xi) if the acquisition cost has not been allocated yet, a statement to that effect, the reason therefor; and
 - (xii) the estimated amount that has an impact on the consolidated profit and loss statement for the current consolidated fiscal year if the business combination is assumed to have been completed on the day of commencement of the consolidated fiscal year, and the calculation method thereof (excluding the cases where the estimated amount that has an impact is not material).
- (2) Notwithstanding the provisions of the preceding paragraph, the notes may be omitted if the transaction pertaining to the business combination is not material; provided, however, that although the transactions pertaining to individual business combinations during the current consolidated fiscal year are not material, yet the transactions pertaining to multiple business combinations during the current consolidated fiscal year are material as a whole, the particulars set forth in item (i) and items (iii) to (x) of that paragraph must be set down in the notes for the business combinations as a whole.
- (3) The estimated amount that has impact set forth in paragraph (1), item (xii) is any of the following amounts and, if the notes have not received an audit certification, a statement to that effect must be made:
- (i) the difference between net sales and the profit and loss information calculated by assuming that the business combination is completed on the day of commencement of the consolidated fiscal year and net sales and the profit and loss information on the consolidated profit and loss statement of the acquiring enterprise; or
 - (ii) net sales and the profit and loss information calculated by assuming that the business combination is completed on the day of commencement of the consolidated fiscal year.
- (4) If a material review of the initially allocated amounts of the acquisition costs has been conducted in the current consolidated fiscal year occasioned by the determination of the provisional accounting process pertaining to the business combination implemented in the previous consolidated fiscal year, the details and amounts of the review must be set down in the notes.

Article 15-13 Deletion

(Notes on Common Control Transactions)

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

- (i) the outline of the transaction;
 - (ii) the outline of the implemented accounting processes;
 - (iii) in the case of acquisition of additional shares in subsidiary company, the particulars set forth in Article 15-12, paragraph (1), items (iii), (iv), and (ix); and
 - (iv) particulars concerning changes in the equity in the company submitting consolidated financial statements pertaining to transactions with non-controlling shareholders (meaning shareholders of consolidated subsidiary companies excluding consolidated companies; hereinafter the same applies in this item and Article 88, paragraph (2)) (meaning the major causes of changes and the amount of capital surplus resulting from transactions with the non-controlling shareholders that has increased or decreased).
- (2) Notwithstanding the provisions of the preceding paragraph, the notes may be omitted if the common control transaction, etc. is not material; provided, however, that although individual common control transactions, etc. during the current consolidated fiscal year are not material, yet multiple common control transactions, etc. during the current consolidated fiscal year are material as a whole, the particulars set forth in the items of that paragraph must be set down in the notes for the common control transactions, etc. as a whole.

(Notes on Formation of Jointly Controlled Enterprises)

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

(Notes Set Down by Divesting Enterprise that Engages in Business Divestitures)

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

- (i) the outline of the business divestiture;
 - (ii) the outline of the implemented accounting processes;
 - (iii) the name of the reporting segment in which the divested business was included;
 - (iv) the estimated amount of profit or loss pertaining to the divested business, which is recorded on the consolidated profit and loss statement for the current consolidated fiscal year; and
 - (v) if, for a business divestiture for which a gain or loss on transfer has been recognized, there is any continuing involvement other than holding the shares in successor enterprise as the shares in subsidiary company or the shares in affiliated company, the outline of the continuing involvement.
- (2) The notes may be omitted for the particulars set forth in item (v) of the preceding paragraph if the continuing involvement is insignificant.
- (3) Although the transactions pertaining to individual business divestures during the current consolidated fiscal year are not material, yet the transactions pertaining to multiple business divestures during the current consolidated fiscal year are material as a whole, the particulars set forth in items (i) and (ii) of that paragraph, notwithstanding the provisions of paragraph (1), must be set down in the notes for the transactions pertaining to business divestures as a whole.

(Notes Set Down by Successor Enterprise that Engages in Business Divestures)

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

(Notes on Business Combination Through Which Subsidiary Company is Merged)

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

- (i) the outline of the business combination carried out by the subsidiary company;
- (ii) the outline of the implemented accounting processes;
- (iii) the name of the reporting segment in which the subsidiary company was included;
- (iv) the estimated amount of profit or loss pertaining to the subsidiary company, which is recorded on the consolidated profit and loss statement for the relevant consolidated fiscal year; and

- (v) for a business combination through which a subsidiary company is merged for which the parent company has recognized a gain or loss on exchange of shares, if there is any continuing involvement other than holding the shares in the subsidiary company as the shares in affiliated company, the outline of the continuing involvement.
- (2) The notes may be omitted for the particulars set forth in item (v) of the preceding paragraph if the continuing involvement is insignificant.
- (3) Notwithstanding the provisions of paragraph (1), the notes may be omitted if the transaction pertaining to the business combination is not material; provided, however, that although the individual transactions pertaining to business combinations during the current consolidated fiscal year are not material, yet the multiple transactions pertaining to business combinations during the consolidated fiscal year are material as a whole, the particulars set forth in items (i) and (ii) of that paragraph must be set down in the notes.

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

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

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

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

(Notes on Post-Balance Sheet Events Related to Business Combination Through Which Subsidiary Company is Merged)

Article 15-21 If a business combination through which a subsidiary company is merged (limited to the case where it no longer falls under a subsidiary company through the business combination) falls under the case set forth in the following items, the particulars specified in those items must be set down

in the notes:

- (i) cases where a business combination through which a subsidiary company is merged that has been completed after the consolidated closing date falls under a material post-balance sheet event: the particulars equivalent to the particulars set forth in the items of Article 15-18, paragraph (1);
- (ii) if a business combination through which a subsidiary company is merged for which major requirements have been agreed after the consolidated closing date falls under a material post-balance sheet event: the particulars equivalent to the particulars set forth in Article 15-18, paragraph (1), items (i) and (iii); and
- (iii) if a business combination through which a subsidiary company is merged for which major requirements have been agreed before the consolidated closing date has not been completed by that date (excluding the case set forth in item (i)): the particulars equivalent to the particulars set forth in Article 15-18, paragraph (1), items (i) and (iii).

(Notes on Going Concern Assumption)

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

(Notes on Asset Retirement Obligations)

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

(Notes on Real Properties for Rent)

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

- (i) the outline of any real property for rent, etc.;
- (ii) the amount of any real property for rent, etc. recorded on the consolidated balance sheet and any major fluctuation of price in those during the current

- consolidated fiscal year;
- (iii) the market price of any real property for rent, etc. as of the consolidated closing date and the method of calculation of the market price; and
- (iv) the profit or loss concerning any real property for rent, etc.

(Notes on Public Facility Operating Project)

Article 15-25 (1) If a company submitting consolidated financial statements or its consolidated subsidiary company is an operating right holder of a public facility, etc. (meaning an operating right holder of a public facility, etc. prescribed in Article 9, item (iv) of the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999; hereinafter referred to as the "Private Finance Act" in this paragraph and the following paragraph); the same applies in the following paragraph) of a public facility operating project (meaning a public facility operating project prescribed in Article 2, paragraph (6) of the Private Finance Act; the same applies in the following paragraph), the company submitting consolidated financial statements must set down the following particulars in the notes on each right to operate a public facility, etc. (meaning the right to operate a public facility, etc. prescribed in Article 2, paragraph (7) of the Private Finance Act; the same applies hereinafter):

- (i) the outline of the right to operate a public facility, etc.; and
 - (ii) the depreciation method of the right to operate a public facility, etc.
- (2) With regard to replacement investment (meaning maintenance and administration of a public facility, etc. (meaning a public facility, etc. prescribed in Article 2, paragraph (1) of the Private Finance Act; hereinafter the same applies in this paragraph) in a public facility operating project implemented by an operating right holder of a public facility, etc.; hereinafter the same applies in this paragraph), the particulars specified in the following items must be set down in the notes on each right to operate a public facility, etc. for the respective cases set forth in those items:
- (i) in cases other than the cases set forth in the following item: particulars set forth in (a) to (d):
 - (a) the description of the major replacement investment and the time when the replacement investment is to be made;
 - (b) the method to record assets pertaining to the replacement investment;
 - (c) the asset depreciation methods pertaining to the replacement investment; and
 - (d) if the portion of expenditure that falls under capital expenditure for replacement investment that is expected to be made in or after the following consolidated fiscal year (limited to those whose ownership belongs to an administrator, etc. of a public facility, etc. (meaning an administrator, etc. of a public facility, etc. prescribed in Article 2,

paragraph (3) of the Private Finance Act; hereinafter the same applies in this paragraph); hereinafter the same applies in this paragraph) can be reasonably estimated, the description and amount of the portion that falls under capital expenditure;

(ii) if the time when the majority of replacement investment is made and the description of a specific facility subject thereto, such as a public facility, are presented by an administrator, of a public facility, etc. to an operating right holder of the public facility, etc. in an agreement on the operation rights of a public facility, etc. (meaning an agreement on the operation rights of a public facility, etc. prescribed in Article 22, paragraph (1) of the Private Finance Act; the same applies in the following paragraph), etc. at the time of acquisition of the right to operate the public facility, etc. and the total amount that is expected to be expended over the period for which the operation rights are established (meaning the duration of the right to operate a public facility, etc. set forth in Article 17, item (iii) of the Private Finance Act) and the time for the payment can be reasonably estimated for the portion of the renewal investment that falls under capital expenditure: the following particulars:

- (a) the particulars set forth in (a) and (c) of the preceding item; and
- (b) the method to record assets and liabilities pertaining to the replacement investment.

(3) Notwithstanding the provisions of the preceding two paragraphs, the particulars specified in the following items may be provided collectively in the cases set forth in those items:

(i) when an integrated operation, etc. is conducted by exercising multiple rights to operate a public facility, etc. under the same agreement on the operation rights of a public facility, etc.: the particulars prescribed in the preceding two paragraphs pertaining to the multiple rights to operate a public facility, etc.; and

(ii) although each one of the rights to operate a public facility, etc. is immaterial yet the multiple rights to operate a public facility, etc. of the same category is not recognized as immaterial: the particulars prescribed in the preceding two paragraphs pertaining to the multiple rights to operate a public facility, etc.

(Notes on Revenue Recognition)

Article 15-26 The provisions of Article 8-32 (excluding paragraphs (4) and (5)) of the Regulation on Financial Statements apply mutatis mutandis to revenues from contracts with customers. In this case, the term "financial statements" in paragraph (1) of that Article is deemed to be replaced with "consolidated financial statements" and the term "fiscal year" in item (iii) of that paragraph

is deemed to be replaced with "consolidated fiscal year".

(Notes on Inventory Assets)

Article 15-27 Inventory assets held to earn a profit through fluctuations in market prices must be set down in the notes as specified in the provisions of Article 15-5-2, paragraph (1), item (iii); provided, however, that notes may be omitted for immaterial particulars.

(Method to Include a Note)

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

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

(3) The notes to be included pursuant to the provisions of this Regulation (excluding the notes under Articles 13 to 14-3) must be included immediately after the notes under Articles 13-2 to 14-3; provided, however, that this does not apply in the following cases:

(i) if particulars related to the particulars that are included pursuant to the provisions of Article 13 are included together with the notes; or

(ii) if notes that are found appropriate to be included as footnotes (meaning the notes included at the end of the table or account statement contained in the consolidated financial statements in which the particulars pertaining to the notes are included) are included as footnotes.

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

(5) If a note related to a specific account title is included pursuant to the provisions of this Regulation, the association between the account title and the note must be made clear by appending a symbol to the account title or by other methods similar thereto.

(Units of Figures Presented in Amounts)

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

Chapter II Consolidated Balance Sheets

Section 1 General Provisions

(Methods to Make Entries in Consolidated Balance Sheets)

Article 17 (1) The methods to make entries in a consolidated balance sheet are governed as specified in the provisions of this Chapter.

(2) A consolidated balance sheet is to be presented by using Form No. 4.

(Assets, Liabilities and Net Assets Classified by Type for Recording)

Article 18 Assets, liabilities and net assets to be included must be classified into the assets section, liabilities section, and net assets section.

(Assets and Liabilities Classified by Business)

Article 19 If a consolidated company engages in two or more different types of businesses, assets and liabilities may be recorded by each business category.

(Arrangement of Account Titles to be Included)

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

Section 2 Assets

(Classification of Assets)

Article 21 Assets to be included must be classified into current assets, fixed assets and deferred assets, and assets categorized as fixed assets must be classified into tangible fixed assets, intangible fixed assets, investments, and any other assets.

(Scopes of the Respective Assets)

Article 22 The provisions of Articles 15 through 16-3, 22, 27, 31 through 31-4, and 36 of the Regulation on Financial Statements apply mutatis mutandis to the scopes of current assets, tangible fixed assets, intangible fixed assets, investments and other assets, and deferred assets. In this case, the term "the company submitting financial statements" in Article 22, item (viii) and Article 27, item (xii) of the Regulation on Financial Statements is deemed to be replaced with "a consolidated company" and the term "prepaid pension costs" in Article 31, item (iv) of the Regulation on Financial Statements is deemed to be replaced with "net defined benefit asset".

(Separate Presentation of Current Assets)

Article 23 (1) Assets categorized as current assets must be recorded under account titles indicating the names of those assets, in accordance with the following types of items; provided, however, that assets categorized under items other than items set forth in items (ii) through (ii)-3 of which the amount

is not more than one percent of the total amount of the assets and which are found appropriate to be presented collectively with assets categorized under another item, may be recorded collectively under an account title having an appropriate name:

(i) cash and deposits;

(ii) negotiable instruments receivable;

(ii)-2 accounts receivable;

(ii)-3 contract assets;

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

(iv) securities;

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

(vi) work in progress;

(vii) raw materials and supplies; and

(viii) others.

(2) Where assets categorized under any of the items set forth in the items of the preceding paragraph are found appropriate to be presented separately, the provisions of that paragraph do not preclude those assets from being recorded separately under account titles indicating the names of those assets.

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

(4) Notwithstanding the provisions of the main clause of paragraph (1), assets categorized under the items set forth in items (v) to (vii) of that paragraph may be recorded collectively under the account titles 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.

(5) Notwithstanding the provisions of the main clause of paragraph (1), assets categorized under the items set forth in items (ii) and (ii)-2 of that paragraph (limited to claims arising from contracts with customers (meaning claims arising from contracts with customers prescribed in Article 15, item (ii) of the Regulation on Financial Statements; hereinafter the same applies in this paragraph)) and each one of the assets categorized under the item set forth in item (ii)-3 may be presented collectively with the assets categorized under other items. In this case, the account titles of the assets categorized under the items set forth in items (ii) and (ii)-2 of that paragraph (limited to claims arising from contracts with customers) and assets categorized under the item set forth in item (ii)-3 of that paragraph and the amounts thereof must be set

down respectively in the notes.

(Presentation of Allowances Pertaining to Current Assets)

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

Article 25 Deleted.

(Separate Presentation of Tangible Fixed Assets)

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

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

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

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

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

(Presentation of Accumulated Depreciation Amounts)

Article 27 The provisions of Articles 25 and 26, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to the accumulated depreciation amount of buildings, structures, and any other tangible fixed assets.

(Presentation of the Amount of Accumulated Impairment Losses)

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

(Separate Presentation of Intangible Fixed Assets)

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

(i) goodwill;

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

(iii) right to operate a public facility, etc.; and

(iv) others.

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

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

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

(5) A difference arose from investments made by consolidated companies that exceed the amount of the stated capital of consolidated subsidiary companies is presented by including it into goodwill.

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

(Separate Presentation of Investments and Other Assets)

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

categorized under another item, may be recorded collectively under an account title having an appropriate name:

- (i) investment securities;
 - (ii) long-term loans;
 - (iii) deferred tax assets;
 - (iv) net defined benefit asset; and
 - (v) others.
- (2) The amounts of shares and corporate bonds issued by non-consolidated subsidiary companies and affiliated companies, any other securities (meaning securities other than shares and corporate bonds) issued by non-consolidated subsidiary companies and affiliated companies, and investments in capital of non-consolidated subsidiary companies and affiliated companies must be set down in the notes, respectively.
- (3) In the notes referred to in the preceding paragraph, the amount of investments made in jointly controlled enterprises must be set down as a breakdown of shares, etc. of affiliated companies.
- (4) The provisions of Article 23, paragraph (2) apply mutatis mutandis to the cases referred to in paragraph (1).
- (5) The provisions of Article 23, paragraph (3) apply mutatis mutandis to the assets referred to in paragraph (1), item (v).

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

(Presentation of Allowances Pertaining to Investments and Other Assets)

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

(Separate Presentation of Deferred Assets)

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

- (i) deferred organization expenses;
 - (ii) business commencement expenses;
 - (iii) stock issuance expenses;
 - (iv) corporate bond issuance expenses; and
 - (v) development costs.
- (2) The provisions of Article 23, paragraph (2) apply mutatis mutandis to the cases referred to in the preceding paragraph.

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

Article 34 Deleted.

(Notes on Revaluation of Land for Business Use)

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

(Notes on Collateral Assets)

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

Section 3 Liabilities

(Classification of Liabilities)

Article 35 Liabilities to be included must be classified into current liabilities and fixed liabilities.

(Scope of Each Type of Liabilities)

Article 36 The provisions of Articles 47 to 48-3 and 51 to 51-4 of the Regulation on Financial Statements apply mutatis mutandis to the scope of current liabilities and the scope of fixed liabilities.

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

(Separate Presentation of Current Liabilities)

Article 37 (1) Liabilities categorized as current liabilities must be recorded under account titles indicating the names of those liabilities, in accordance with the following classification of items; provided, however, that liabilities categorized under an item other than those set forth in items (iv)-2 and (v) of

which the amount is not more than one percent of the total amount of liabilities and net assets and which are found appropriate to be presented collectively with liabilities categorized under another item, may be recorded collectively under an account title having an appropriate name:

- (i) negotiable instruments payable and accounts payable;
- (ii) short-term borrowings (including finance negotiable instruments and overdrafts);
- (iii) lease obligations;
- (iv) accrued corporate taxes, etc.;
- (iv)-2 contract liabilities;
- (v) allowances;
- (vi) asset retirement obligations; and
- (vii) liabilities pertaining to the right to operate a public facility, etc.; and
- (viii) others.

(2) Where liabilities categorized under any of the items referred to in the items of the preceding paragraph are found appropriate to be presented separately, the provisions of that paragraph do not preclude those liabilities from being recorded separately under an account title indicating the names of those liabilities.

(3) The accrued corporate tax, etc. referred to in paragraph (1), item (iv) means unpaid corporate tax, inhabitants tax (meaning prefectural inhabitants tax and municipal inhabitants tax; the same applies hereinafter), and enterprise tax.

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

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

(6) Notwithstanding the provisions of the main clause of paragraph (1), liabilities categorized under the item set forth in item (iv)-2 of that paragraph may be presented collectively with liabilities categorized under other items. In this case, the account titles of the liabilities categorized under the item set forth in that item and the amounts thereof must be set down in the notes.

(Separate Presentation of Fixed Liabilities)

Article 38 (1) Liabilities categorized as fixed liabilities must be recorded under account titles having names that indicate those liabilities, in accordance with

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

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

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

(Notes on Contingent Liabilities)

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

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

Article 40 The provisions of Article 54-4 (excluding paragraph (4)) of the Regulation on Financial Statements apply mutatis mutandis to presentation of

inventory assets and reserve for loss on construction contracts.

(Notes on Specified Accounts in Accounting for Business Combination)

Article 41 The provisions of Article 56, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to specified accounts in accounting for a business combination.

(Separate Presentation of Liabilities of Special Purpose Company)

Article 41-2 (1) Non-recourse debts (meaning debts of which the source of repayment consist all or a part of the assets of a special purpose company (meaning the special purpose company specified in Article 8, paragraph (7) of the Regulation on Financial Statements) and revenues from those assets, and for which the creditor is not allowed to pursue any assets other than those assets nor any revenues other than those revenues; the same applies in this Article) owned by the special purpose company which is included in the scope of consolidation must be recorded in current liabilities or fixed liabilities under an account title having a name that indicates the non-recourse debts for each of the items of corporate bonds, borrowings, or other liabilities; provided, however, that this does not preclude non-recourse debts from being recorded under an account title that indicates corporate bonds, borrowings, or other liabilities (excluding an account title having a name that indicates non-recourse debts).

(2) When recording non-recourse debts pursuant to the provisions of the proviso to the preceding paragraph, the amount of the non-recourse debts must be set down in the notes for each of the account titles that indicate corporate bonds, borrowings, or other liabilities.

(3) With regard to assets corresponding to non-recourse debts, the account titles of those assets and the amount thereof must be set down in the notes.

Section 4 Net Assets

(Classification of Net Assets)

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

(Classification and Separate Presentation of Shareholders' Equity)

Article 43 (1) Shareholders' equity must be classified into stated capital, capital surplus, and retained earnings, and must be recorded under the account titles of stated capital, capital surplus, and retained earnings respectively.

(2) The provisions of Article 62, Article 63, paragraph (2), and Article 65,

paragraph (2) of the Regulation on Financial Statements apply mutatis mutandis to a deposit for subscriptions to shares and to any reserve specified by law that is equivalent to capital reserve or retained earnings reserve.

- (3) Treasury shares must be recorded as a deduction corresponding to shareholders' equity, under the account title of treasury shares immediately after retained earnings.
- (4) Notwithstanding the provisions of paragraph (1), a deposit for subscriptions as after the application date, pertaining to disposal of treasury shares, must be recorded under the account title of a deposit for subscriptions to treasury shares, immediately after treasury shares.

(Classification and Separate Presentation of Accumulated Other Comprehensive Income)

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

- (i) the valuation differences on other securities (meaning the valuation differences on other securities recorded in the net assets section; the same applies in Article 69-5, paragraph (1), item (i));
 - (ii) the deferred gain or loss on hedges (meaning gains or losses or market value valuation differences on hedging instruments (meaning hedging instruments specified in Article 8, paragraph (69) of the Regulation on Financial Statements) that are deferred until the gains or losses on hedged items are recognized; the same applies in Article 69-5, paragraph (1), item (ii));
 - (iii) the land revaluation difference (meaning the land revaluation difference prescribed in Article 7, paragraph (2) of the Land Revaluation Act);
 - (iv) the accounting for foreign currency translation adjustments (meaning the foreign currency translation differences that results from the difference between the exchange rate used for translating the assets and liabilities of any subsidiary company or affiliated company in a foreign state and the exchange rate used for translating the net assets of that company; the same applies in Article 69-5, paragraph (1), item (iii)); and
 - (v) the Accumulated Remeasurements of Defined Benefit Plans.
- (2) In addition to the items set forth in the preceding paragraph, any items that are found appropriate to be recorded as an item of accumulated other comprehensive income may be recorded under an account title having a name that indicates those items.

(Presentation of Share Options)

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

options.

(2) Share options issued by the company submitting consolidated financial statements held by the company submitting consolidated financial statements itself and share options issued by any consolidated subsidiary company held by the consolidated subsidiary company itself must be deducted from share options; provided, however, that this does not preclude the share options from being recorded under the account title of own share options, immediately after share options, as a deduction corresponding to share options.

(Presentation of Non-Controlling Interests)

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

(Notes on Reserve Funds under Contracts)

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

(Notes on Amount of Net Assets Per Share)

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

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

Section 5 Miscellaneous Provisions

(Presentation of Deferred Tax Assets or Deferred Tax Liabilities)

Article 45 If there are the deferred tax assets set forth in Article 30, paragraph (1), item (iii) and the deferred tax liabilities set forth in Article 38, paragraph (1), item (iv), the difference between them, excluding those pertaining to different taxable entities, must be presented as deferred tax assets or deferred tax liabilities under investments and other assets or under fixed liabilities.

(Reserves under Special Laws)

Article 45-2 (1) Reserves or allowances that must be recorded in the section of reserves or allowances pursuant to the provisions of laws and regulations and

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

- (2) reserves, etc. must be recorded under an account title having a name that indicates the purpose of establishment of the reserves, etc., and the provisions of laws and regulations that provide for the recording thereof must be set down in the notes.
- (3) With regard to reserves, etc., whether or not those reserves will 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 a decision on this.

(Classification of Assets and Liabilities of Business Specified Separately under the Regulation on Financial Statements)

Article 46 If the main business of a business group is a business specified separately in the Regulation on Financial Statements (hereinafter referred to as a "business specified separately"), and it is found inappropriate to include its assets and liabilities according to the classification under Articles 21 and 35, notwithstanding these provisions, the assets and liabilities may be included according to the classification specified by laws and regulations, or rules (meaning the law, regulations, or rules prescribed in Article 2 of the Regulation on Financial Statements; the same applies hereinafter) applicable to the financial statements of the companies engaged in the business specified separately. In this case, the governing laws and regulations or rules must be set down in the notes.

(Net Assets of Designated Corporations to be Included)

Article 46-2 If a designated corporation prepares a consolidated balance sheet, and it is found inappropriate to include its net assets pursuant to this Regulation, the designated corporation may include its net assets as specified by laws and regulations, or rules applicable to its financial statements. In this case, the governing laws and regulations, or rules must be provided.

(Account Titles for Assets and Liabilities of Listed Business to be Included)

Article 47 (1) If the businesses conducted by any consolidated company include a business specified separately, and it is found inappropriate to include the account titles for assets and liabilities of the business specified separately according to the classification of the items prescribed in Article 23, paragraph (1), Article 26, paragraph (1), Article 28, paragraph (1), Article 30, paragraph (1), Article 37, paragraph (1), and Article 38, paragraph (1), notwithstanding these provisions, those account titles may be included as specified by laws and

regulations, or rules applicable to the financial statements of the company engaged in the business specified separately.

- (2) In the cases referred to in the preceding paragraph, the standards for recording the account titles of assets and liabilities collectively or separately are to be governed by this Regulation.

Chapter III Consolidated Profit and Loss Statements

Section 1 General Provisions

(Methods to Make Entries in Consolidated Profit and Loss Statements)

Article 48 (1) The methods to make entries in a consolidated profit and loss statement are governed as specified in this Chapter.

- (2) A consolidated profit and loss statement are to be presented by using Form No. 5.

(Classification of Revenues and Expenses)

Article 49 Revenues and expenses to be presented must be classified into account titles having names that indicate the following items:

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

(Entry of Net Sales by Business)

Article 50 If consolidated companies engage in two or more different types of businesses, the revenues and expenses set forth in items (i) through (iii) of the preceding Article may be recorded separately according to the type of business.

Section 2 Net Sales and Sales Costs

(Methods to Present Net Sales)

Article 51 (1) Net sales must be recorded under an account title having a name that indicates net sales.

- (2) The net sales to be included referred to in the preceding paragraph are to be classified into revenues from contracts with customers and other revenues. In this case, the amount of revenues from contracts with customers may be set down in the notes in lieu of the net sales to be included.

(Methods to Present Valuation Difference Between Inventory Assets)

Article 51-2 The valuation difference between inventory assets held for the purpose of earning profits from fluctuations in market prices must be included under the account title having a name that indicates net sales; provided, however, that if the amount is not material, the amount may be included in non-operating revenues or non-operating expenses.

(Methods to Present Sales Costs)

Article 52 The sales costs must be recorded under an account title having a name that indicates the sales costs.

(Notes on Provision for Loss on Construction Contracts)

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

(Depreciation in Book Value of Inventory Assets to be Included)

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

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

(Presentation of Gross Profit or Loss)

Article 54 The difference between net sales and the sales costs must be included as the gross profit or the gross loss.

Section 3 Selling Expenses and General and Administrative Expenses

(Methods to Present Selling Expenses and General and Administrative Expenses)

Article 55 (1) Selling expenses and general and administrative expenses must be classified into expense items that are found to be appropriate, and be recorded under account titles having names that indicate those expenses; provided, however, that this does not preclude those expenses from being recorded 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 stated in the notes.

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

(Notes on Research and Development Costs)

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

(Presentation of Amount of Operating Profit and Loss)

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

Section 4 Non-Operating Revenues and Non-Operating Expenses

(Methods to Present Non-Operating Revenues)

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

(Methods to Present Non-Operating Expenses)

Article 58 Expenses categorized as non-operating expenses must be recorded under account titles having names that indicate those expenses, in accordance with the classification of interest expenses (including interest on corporate

bonds), loss on sales of securities, investment loss under the equity method, and others; provided, however, that any expenses of which the amounts are not more than ten percent of the total amount of non-operating expenses, which are found appropriate to be presented collectively, may be recorded under an account title having a name that collectively indicates those expenses.

Article 59 Deleted.

Article 60 Deleted.

(Presentation of Amount of Ordinary Income and Loss)

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

Section 5 Extraordinary Profit and Extraordinary Loss

(Methods to Present Extraordinary Profit)

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

(Methods to Present Extraordinary Loss)

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

(Notes on Impairment Loss)

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

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

Article 63-3 The provisions of Article 95-3-3, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis pursuant to gain on reversal of specified accounts in accounting pertaining to business combination.

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

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

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

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

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

(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) pertaining to the relevant consolidated fiscal 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 recorded by using tax effect accounting).

(2) The amount obtained by adjusting the amount of net income before tax for the period or the amount of net loss before tax for the period by adding or subtracting the amount of the items set forth in the respective items of the preceding paragraph must be included as the amount of net income for the period or the amount of net loss for the period.

(3) The amount that represents non-controlling interests in the amount of net income for the period or the amount of net loss for the period must be included, under an account title having a name that indicates the description thereof, immediately after the amount of net income for the period or the amount of net loss for the period.

(4) The amount obtained by adjusting the amount of net income for the period or the amount of net loss for the period by adding or subtracting the amount that represents non-controlling interests in the amount of net income for the period

or the amount of net loss for the period must be included as the amount of net income for the period attributable to owners of a parent or the amount of net loss for the period attributable to owners of a parent.

- (5) If there are taxes paid or taxes refunded due to correction, determination, etc. of corporate tax, etc., the amounts thereof are to be included under an account title having a name that indicates the description thereof, immediately after the item set forth in paragraph (1), item (i); provided, however, that those amounts may be presented by including them in the amount of the item set forth in paragraph (1), item (i) if those amounts are not material.

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

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

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

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

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

Section 7 Miscellaneous Provisions

(Separate Presentation of Provision of Allowance)

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

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

(Presentation of Investment Return under Equity Method)

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

(Provision for or Reversal of Reserves under Special Laws)

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

(Classification of Revenues and Expenses of Listed Business)

Article 68 If the main business of a business group is a business specified separately, and it is found inappropriate to include its revenues and expenses by classifying them into the items prescribed in Article 49, notwithstanding the provisions of that Article, those revenues and expenses may be included as specified in the provisions of laws and regulations, or rules applicable to the financial statements of the companies engaged in the business specified separately. In this case, the governing laws and regulations or rules must be set down in the notes.

(Account Titles of Revenues and Expenses of Business Specified Separately)

Article 69 (1) If the businesses conducted by any consolidated company include a business specified separately, and it is found inappropriate to include the account titles of revenues and expenses of the business specified separately as specified in the provisions of Article 51, Article 52, Article 55, Article 57, and Article 58, notwithstanding these provisions, those account titles may be included as specified in the provisions of laws and regulations, or rules applicable to the financial statements of the company engaged in the business specified separately.

(2) In the cases referred to in the preceding paragraph, the standards for recording the account titles of revenues and expenses collectively or separately are to be governed by this Regulation.

Chapter III-2 Consolidated Statements of Comprehensive Income

Section 1 General Provisions

(Methods to Make Entries in Consolidated Statements of Comprehensive Income)

- Article 69-2 (1) The methods to make entries in a consolidated statement of comprehensive income are governed by the provisions of this Chapter.
- (2) A consolidated statement of comprehensive income is to be presented by using Form No. 5-2.

(Consolidated Profit and Loss and Comprehensive Income Statement)

Article 69-3 If a consolidated profit and loss and comprehensive income statement (meaning those which under this Chapter are presented at the end of a consolidated profit and loss statement) is prepared, a consolidated statement of comprehensive income is not required to be presented.

(Separate Presentation of Consolidated Statements of Comprehensive Income)

Article 69-4 A consolidated statement of comprehensive income to be presented must be classified into net income for the period or net loss for the period, other comprehensive income, and comprehensive income.

Section 2 Other Comprehensive Income

(Separate Presentation of Other Comprehensive Income)

- Article 69-5 (1) Other comprehensive income must be recorded under account titles having names that indicate the following items, in accordance with the following classification of items:
- (i) the valuation difference on other securities;
 - (ii) the deferred gain or loss on hedges;
 - (iii) the accounting for foreign currency translation adjustments; and
 - (iv) the remeasurements of defined benefit plans.
- (2) In addition to the items set forth in the preceding paragraph, any items that are found appropriate to be recorded as an item of other comprehensive income may be recorded under an account title having a name that indicates those items.
- (3) Notwithstanding the provisions of paragraph (1), the shares held by the company submitting consolidated financial statements in the amount of the items of other comprehensive income of non-consolidated subsidiary companies and affiliated companies to which the equity method is used must be recorded collectively under an account title indicating the name of those items.
- (4) The amount of the items of other comprehensive income are to be recorded as the amount after deducting the amount of tax effect; provided, however, that this does not preclude the amount obtained by adjusting the amount of the items of other comprehensive income before deducting the amount of tax effect to be recorded, by collectively adding or subtracting the amount of tax effect.

(Notes on Other Comprehensive Income)

- Article 69-6 (1) The amount of tax effect specified in paragraph (4) of the preceding Article must be set down in the notes for each item of other comprehensive income.
- (2) The amount of any item composing the amount of net income for the period or the amount of net loss for the period that had been included in the item of other comprehensive income in the current consolidated fiscal year or any prior fiscal year must be set down in the notes for each item of other comprehensive income as the amount of reclassification adjustment.
- (3) The items prescribed in the preceding two paragraphs may be collectively presented.

Section 3 Comprehensive Income

(Comprehensive Income)

- Article 69-7 (1) The amounts obtained by adjusting the amount of net income for the period or the amount of net loss for the period by adding or subtracting the amount of the items of other comprehensive income must be presented as the amount of comprehensive income.
- (2) The amount of comprehensive income specified in the preceding paragraph must be classified into the amount pertaining to shareholders of company submitting consolidated financial statements and the amount pertaining to non-controlling shareholders, and the amount of classified items must be presented at the end of the consolidated statement of comprehensive income.

Chapter IV Consolidated Statements of Changes in Net Assets

Section 1 General Provisions

(Methods to Make Entries in Consolidated Statements of Changes in Net Assets)

- Article 70 (1) The methods to make entries in a consolidated statement of changes in net assets are governed by the provisions of this Chapter.
- (2) A consolidated statement of changes in net assets are to be presented by using Form No. 6.

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

- Article 71 (1) A consolidated statement of changes in net assets to be presented must be classified into shareholders' equity, other comprehensive income, share options, and non-controlling interests.
- (2) A consolidated statement of changes in net assets must be classified into appropriate items, and must be recorded under account titles having names

that indicate those items. Those items and account titles must be consistent with the items and account titles in the net asset section of the consolidated balance sheet prepared at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year.

Section 2 Shareholders' Equity

- Article 72 (1) Shareholders' equity to be presented must be classified into the balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year.
- (2) The changes in the amount during the current consolidated fiscal year for the account titles presented under shareholders' equity must be presented for each reason for the change.
- (3) dividends of surplus must be presented as a reason for change in capital surplus or retained earnings.
- (4) The amount of net income for the period attributable to owners of a parent or the amount of net loss for the period attributable to owners of a parent must be presented as a reason for change in retained earnings.

Section 3 Accumulated Other Comprehensive Income

- Article 73 (1) Accumulated other comprehensive income to be presented must be classified into the balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year.
- (2) With regard to the account titles presented under accumulated other comprehensive income, the amount of changes during the current consolidated fiscal year is to be presented collectively; provided, however, that this does not preclude that amount from being presented or stated in the notes for each major reason for the change.

Article 74 Notwithstanding the provisions of Article 71, paragraph (2), the total amount of the accumulated other comprehensive income may be presented by dividing the amount into the balance at the beginning of the current consolidated fiscal year, the amount of changes during the current consolidated fiscal year, and the balance at the end of the current consolidated fiscal year, in lieu of presenting the amount of each account title. In this case, the respective amounts for each account title are to be stated in the notes.

Section 4 Share Options

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

(2) The amount of changes during the current consolidated fiscal year for share options is to be presented collectively; provided, however, that this does not preclude that amount from being presented or stated in the notes for each major reason for the change.

Section 5 Non-Controlling Interests

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

(2) The amount of changes during the current consolidated fiscal year for non-controlling interests is to be presented collectively; provided, however, that this does not preclude that amount from being presented or stated in the notes for each major reason for the change.

Section 6 Particulars to Be Stated in Notes

(Notes on Issued Shares)

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

- (i) the total number of shares issued at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year, and an increase or decrease in the number of shares issued during the current consolidated fiscal year, for each type of shares issued; and
- (ii) an outline of the reason for the change for each type of shares issued.

(Notes on Treasury Shares)

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

- (i) the total number of treasury shares at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year, and an increase or decrease in the number of treasury shares during the current consolidated fiscal year, for each type of treasury share; and
- (ii) an outline of the reason for the change for each type of treasury share.

(Notes on Share Options)

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

- (i) the types of shares which may be offered for the share options;
 - (ii) the number of shares which can be offered for share options; and
 - (iii) the balance of share options at the end of the consolidated fiscal year.
- (2) If share options have been granted as stock options or options on the company's own shares, the particulars set forth in items (i) and (ii) of the preceding paragraph are not required to be included.
- (3) With regard to the number of shares set forth in paragraph (1), item (ii), the number of shares to be offered for the purpose of share options at the beginning of the current consolidated fiscal year and at the end of current consolidated fiscal year, the increase or decrease in the number of shares during the current consolidated fiscal year, and the outline of the reason for the change must be entered for each type of share to be offered for the purpose of share option; provided, however, that the notes may be omitted if the ratio of the increase in the number of shares assuming that the share options are exercised to the total number of issued shares (if the treasury shares are being held, the number of shares after deducting the number of the treasury shares) at the end of the consolidated fiscal year is immaterial.
- (4) The balance of share options at the end of the consolidated fiscal year set forth in paragraph (1), item (iii) must be presented separately as the share options of the company submitting consolidated financial statements and the share options of consolidated subsidiary companies.
- (5) With regard to own share options, the following particulars must be set down in the notes in order to make it clear that own share options correspond to share options:
- (i) with regard to share options issued by the company submitting consolidated financial statements held by the company submitting consolidated financial statements, the particulars set forth in the items of paragraph (1); and
 - (ii) with regard to share options issued by any consolidated subsidiary company held by the consolidated subsidiary company, the particulars set forth in paragraph (1), item (iii).

(Notes on Dividends)

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

Section 7 Miscellaneous Provisions

Article 81 If a designated corporation prepares a consolidated statement of changes in net assets, and it is found inappropriate to present it pursuant to this Regulation, the designated corporation may present it under the provisions of laws and regulations, or rules applicable to its financial statements.

Chapter V Consolidated Cash Flow Statements

Section 1 General Provisions

(Methods to Make Entries in Consolidated Cash Flow Statements)

Article 82 (1) The methods to make entries in a consolidated cash flow statement are governed by the provisions of this Chapter.

(2) A consolidated cash flow statement is to be presented by using Form No. 7 or Form No. 8.

(Separate Presentation of Consolidated Cash Flow Statements)

Article 83 In a consolidated cash flow statement, cash flow situation must be presented separately for the following activities:

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

Section 2 Methods to Make Entries in Consolidated Cash Flow Statements

(Methods to Present Cash Flows from Operating Activities)

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

- (i) the method to classify the cash flows into operating income, payment for

purchases of raw materials or merchandise, payment of personnel expenses, and other items that are found appropriate, and to present the total amount of cash flows for each major transaction; or

- (ii) the method to present the amount obtained by adding or subtracting the following items to or from the amount of net income before tax for the period or the amount of net loss before tax for the period:
 - (a) any items recorded as revenues or expenses on a consolidated profit and loss statement that do not involve any increase or decrease of funds;
 - (b) the increase or decrease in the amount of trade accounts receivable, inventory assets, trade payables, or any other assets or liabilities arising operating activities; and
 - (c) any items recorded as revenues or expenses on a consolidated profit and loss statement that are included in the classification of cash flows from investment activities and cash flows from financing activities.

(Methods to Present Cash Flows from Investment Activities)

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

(Methods to Present Cash Flows from Financing Activities)

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

(Translation Adjustments Pertaining to Cash and Cash Equivalents to Be Included)

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

(2) In the classification of increase or decrease in cash and cash equivalents set forth in Article 83, item (v), the amount obtained by adding or subtracting the differences that occur from translation of foreign-currency-dominated funds into yen currency specified in the preceding paragraph to or from the total amount of the balance of income and expenditures of cash flows from operating activities, cash flows from investment activities, and cash flows from financing activities are to be included.

Section 3 Miscellaneous Provisions

(Methods to Present Cash Flows Pertaining to Interests and Dividends)

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

(i) method by which the amount of interests and dividends received and the amount of interests paid are presented under the classification of cash flows from operating activities set forth in Article 83, item (i) and by which the amount of dividends paid is presented under the classification of cash flows from financing activities set forth in item (iii) of that Article; or

(ii) the method by which the amount of interests and dividends received is presented under the classification of cash flows from investment activities set forth in Article 83, item (ii) and by which the amount of interests and dividends paid is presented under the classification of cash flows from financing activities set forth in item (iii) of that Article.

(2) The amount of dividends paid must be presented separately by dividing the amount into the amount of dividends paid by the company submitting consolidated financial statements and the amount of dividends paid to non-controlling shareholders.

(Methods to Present Cash Flows Pertaining to Acquisition or Sales of Subsidiary Company Shares Occasioned by Changes in the Scope of Consolidation)

Article 89 (1) Cash flows pertaining to acquisition or sales of subsidiary company shares occasioned by the change in the scope of consolidation must be recorded under an account title having a name that indicates the description

thereof under the classification of cash flows from investment activities set forth in Article 83, item (ii).

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

(Particulars to Be Stated in Notes on Consolidated Cash Flow Statements)

Article 90 (1) The following particulars must be set down in the notes in a consolidated cash flow statement; provided, however, that the notes may be omitted for particulars set forth in items (ii) to (iv) if the amount of assets or liabilities specified respectively in those items is not material:

- (i) the relationship between the ending balances of cash and cash equivalents and the amount of the account titles recorded in the consolidated balance sheet;
- (ii) if any company has acquired shares to become a consolidated subsidiary company, the major components of assets and liabilities of the company;
- (iii) if any company has sold the shares and is no longer a consolidated subsidiary company, the major components of assets and liabilities of the company;
- (iv) if a takeover or transfer of a business or a merger, etc. has been carried out for consideration in cash or cash equivalents, the major details of increase or decrease in the assets and liabilities through the takeover or transfer of a business or the merger, etc.; and
- (v) the descriptions of material non-cash transactions.

- (2) The non-cash transactions set forth in item (v) of the preceding paragraph means exercise of share options attached to corporate bonds with share options in exchange for redemption of the corporate bonds, acquisition of assets (excluding cash and cash equivalents) through issuance, etc. of shares, a merger, or any other transactions that do not involve any increase or decrease in the funds, and that have significant influence on cash flows in and after the following consolidated fiscal year.

Chapter VI Consolidated Supplementary Schedules

(Methods to Make Entries in Consolidated Supplementary Schedules)

Article 91 The methods to make entries in consolidated supplementary schedules are governed by the provisions of this Chapter.

(Types of Supplementary Schedules)

Article 92 (1) There are three types of consolidated supplementary schedules including a schedule of corporate bonds, a schedule of borrowings, etc., and a

schedule of asset retirement obligations.

- (2) The forms of the schedule of corporate bonds, schedule of borrowings, etc., and schedule of asset retirement obligations specified in the preceding paragraph are specified as Form No. 9 through Form No. 11.

(Preparation of Consolidated Supplementary Schedules to Be Omitted)

Article 92-2 (1) If the amount of asset retirement obligations at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year are not more than one percent of the total amount of liabilities and net assets at the beginning of the current consolidated fiscal year and at the end of the consolidated fiscal year, the preparation of supplementary schedule of asset retirement obligations prescribed in paragraph (1) of the preceding Article may be omitted.

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

Chapter VII Special Provisions for Business Accounting Standards

Section 1 Designated International Accounting Standards

(Special Provisions for Designated International Accounting Standards)

Article 93 The terms, forms, and methods used for preparation of consolidated financial statements submitted by a specified company may follow any designated international accounting standards (limited to international accounting standards (meaning, from among the business accounting standards developed and published by organizations that, on a regular basis, research, study, and develop business accounting standards intended for use as internationally common business accounting standards, and that satisfy all of the requirements set forth in the items of Article 1, paragraph (3), which are specified by the Commissioner of the Financial Services Agency; the same applies in the following Article and Article 94) which are specified by the Commissioner of the Financial Services Agency as such that are found to have been developed and published following the fair and proper procedures and are expected to be accepted as fair and appropriate business accounting standards; the same applies in the following Article).

(Notes on Designated International Accounting Standards)

Article 93-2 The following particulars must be set down in the notes on the consolidated financial statements prepared in accordance with any designated international accounting standards:

- (i) if the designated international accounting standards are the same as the

- international accounting standards, a statement that the consolidated financial statements are prepared in accordance with the international accounting standards;
- (ii) if the designated international accounting standards are different from the international accounting standards, a statement that the consolidated financial statements are prepared in accordance with the designated international accounting standards; and
 - (iii) a statement that the company falls under a specified company complying with designated international accounting standards and the reason therefor.

Section 2 Japan's Modified International Standards

(Special Provisions for Japan's Modified International Standards)

Article 94 The terms, forms, and methods used for preparation of consolidated financial statements submitted by a specified company complying with Japan's modified international standards may follow the Japan's modified international standards (limited to the business accounting standards developed and published by specified organizations by modifying the international accounting standards, which are specified by the Commissioner of the Financial Services Agency as such that are found to have been developed and published following the fair and proper procedures and are expected to be accepted as fair and appropriate business accounting standards; the same applies in the following Article).

(Notes on Japan's Modified International Standards)

Article 94-2 The following particulars must be set down in the notes on the consolidated financial statements prepared in accordance with Japan's modified international standards:

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

Chapter VIII Miscellaneous Provisions

Article 95 If the Commissioner of the Financial Services Agency approves a company submitting consolidated financial statements that has registered consolidated financial statements prepared by using the terms, forms, and preparation methods that are required for the issuance, etc. of American depositary receipts (hereinafter referred to as "U.S.-Style consolidated financial statements") with the U.S. Securities and Exchange Commission to

submit the U.S.-Style consolidated financial statements as the consolidated financial statements under the Act, which will not impair the public interests or protection of investors, the terms, forms, and methods used for preparation of the consolidated financial statements submitted by that company may, except for particulars instructed by the Commissioner of the Financial Services Agency as necessary, may use the terms, forms, and preparation methods required for the issuance, etc. of American depositary receipts.

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

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

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

- (i) the terms, forms, and preparation methods used for preparation of the consolidated financial statements that comply with this Regulation;
- (ii) the status of preparation of the consolidated financial statements and the status of registration with the U.S. Securities and Exchange Commission; and
- (iii) major differences between the consolidated financial statements and the consolidated financial statements prepared in accordance with this Regulation (excluding Chapter VII and this Chapter).