

Regulations on Corporate Accounting

(Ministry of Justice Order No. 13 of February 7, 2006)

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Based on the provisions of the Companies Act (Act No. 86 of 2005), the
Regulations on Corporate Accounting is established as follows.

Part I General Provisions

(Purpose)

Article 1 The purpose of this Ministerial Order is to provide for the necessary regulations regarding matters related to corporate accounting and other matters delegated pursuant to the provisions of the Companies Act (Act No. 86 of 2005; hereinafter referred to as "the Act").

(Definitions)

Article 2 (1) In this Ministerial Order, "company", "foreign company", "subsidiary company", "parent company", "public company", "company with a board of directors", "company with accounting advisor", "company with company auditor", "company with a board of company auditors", "company with financial auditor", "company with an audit and supervisory committee", "company with a nominating committee, etc.", "company issuing classes of shares", "shares with put options", "shares subject to call", "share options", "bonds with share options", "bonds", "dividend property", "entity conversion", "absorption-type company split", "incorporation-type company split", and "electronic public notice" mean a company, foreign company, subsidiary company, parent company, public company, company with a board of directors, company with accounting advisor, company with company auditor, company with a board of company auditors, company with financial auditor, company with an audit and supervisory committee, company with a nominating committee, etc., company issuing classes of shares, shares with put options, shares subject to call, share options, bonds with share options, bonds, dividend property, entity conversion, absorption-type company split, incorporation-type company split, and electronic public notice as provided in Article 2 of the Act, respectively.

(2) In this Ministerial Order, the meanings of the terms set forth in the following items are as prescribed respectively in those items:

(i) "issued shares" means issued shares as provided in Article 2, item (xxxi) of the Act;

- (ii) "electronic or magnetic means" means an electronic or magnetic means as provided in Article 2, item (xxxiv) of the Act;
- (iii) "shares issued at incorporation" means shares issued at incorporation as provided in Article 25, paragraph (1), item (i) of the Act;
- (iv) "electronic or magnetic records" means the electronic or magnetic records as provided in Article 26, paragraph (2) of the Act;
- (v) "treasury shares" means treasury shares as provided in Article 113, paragraph (4) of the Act;
- (vi) "parent company shares" means a parent company's shares as provided in Article 135, paragraph (1) of the Act;
- (vii) "money, etc." means the money, etc. as provided in Article 151, paragraph (1) of the Act;
- (viii) "shares subject to class-wide call" means shares subject to class-wide call as provided in Article 171, paragraph (1) of the Act;
- (ix) "allotment of shares without contribution" means the allotment of shares without contribution as provided in Article 185 of the Act;
- (x) "demand for the sale of shares less than one unit" means a demand for the sale of shares less than one unit as provided in Article 194, paragraph (1) of the Act;
- (xi) "shares for subscription" means shares for subscription as provided in Article 199, paragraph (1) of the Act;
- (xii) "share options for subscription" means share options for subscription as provided in Article 238, paragraph (1) of the Act;
- (xiii) "own share options" means a stock company's own share options as provided in Article 255, paragraph (1) of the Act;
- (xiv) "share options subject to call" means share options subject to call as provided in Article 273, paragraph (1) of the Act;
- (xv) "allotment of share options without contribution" means the allotment of share options without contribution as provided in Article 277 of the Act;
- (xvi) "remuneration" means remuneration as provided in Article 361, paragraph (1) of the Act;
- (xvii) "provisional financial statements" means provisional financial statements as provided in Article 441, paragraph (1) of the Act;
- (xviii) "provisional account closing day" means a provisional account closing day as provided in Article 441, paragraph (1) of the Act;
- (xix) "consolidated financial statements" means consolidated financial statements as provided in Article 444, paragraph (1) of the Act;
- (xx) "reserves" means reserves as provided in Article 445, paragraph (4) of the Act;
- (xxi) "distributable amount" means the distributable amount as provided in Article 461, paragraph (2) of the Act;

- (xxii) "membership company" means a membership company as provided in Article 575, paragraph (1) of the Act;
 - (xxiii) "partnership interest refund amount" means the partnership interest refund amount as provided in Article 635, paragraph (1) of the Act;
 - (xxiv) "membership company after entity conversion" means a membership company after entity conversion as provided in Article 744, paragraph (1), item (i) of the Act;
 - (xxv) "stock company after entity conversion" means a stock company after entity conversion as provided in Article 746, paragraph (1), item (i) of the Act;
 - (xxvi) "bonds, etc." means bonds, etc. as provided in Article 746, paragraph (1), item (vii), (d) of the Act;
 - (xxvii) "company succeeding in an absorption-type split" means a company succeeding in an absorption-type split in Article 757 of the Act;
 - (xxviii) "company splitting in an absorption-type split" means a company splitting in an absorption-type split as provided in Article 758, item (i) of the Act;
 - (xxix) "company incorporated in an incorporation-type split" means a company incorporated in an incorporation-type split as provided in Article 763 paragraph (1) of the Act;
 - (xxx) "company splitting in an incorporation-type split" means the company splitting in an incorporation-type split as provided in Article 763, paragraph (1), item (v) of the Act.
- (3) In this Ministerial Order, the meanings of the terms set forth in the following items are prescribed respectively in those items:
- (i) "most recent business year" means the most recent business year as provided in the following item (a) or (b) in accordance with the categories of companies set forth therein:
 - (a) stock companies: the most recent business year as provided in Article 2, item (xxiv) of the Act;
 - (b) membership companies: if financial statements concerning each business year have been prepared, the most recent among those business years;
 - (ii) "financial statements" means financial statements as provided in the following item (a) or (b), in accordance with the categories of companies set forth therein:
 - (a) stock companies: the financial statements as provided in Article 435, paragraph (2) of the Act;
 - (b) membership companies: the financial statements as provided in Article 617, paragraph (2) of the Act;
 - (iii) "accounting documents" means the following items:
 - (a) the balance sheet on the date of formation;

- (b) the financial statements and the attached detailed statements thereof concerning each business year;
- (c) provisional financial statements;
- (d) consolidated financial statements;
- (iv) "absorption-type merger" means an absorption-type merger (including one in which a company merges with a corporation which is not a company, and the company survives the merger) as provided in Article 2, item (xxvii) of the Act;
- (v) "consolidation-type merger" means a consolidation-type merger (including one in which a company merges with a corporation which is not a company, and the company is incorporated in the merger) as provided in Article 2, item (xxviii) of the Act;
- (vi) "share exchange" means a share exchange (including a share exchange upon entity conversion as provided in Article 96-5, paragraph (1) of the Insurance Business Act (Act No. 105 of 1995)) as provided in Article 2, item (xxx) of the Act;
- (vii) "share transfer" means a share transfer (including a share transfer upon entity conversion as provided in Article 96-8, paragraph (1) of the Insurance Business Act) as provided in Article 2, item (xxxii) of the Act;
- (viii) "company surviving absorption-type merger" means any company surviving an absorption-type merger (including a company that survives after an absorption-type merger with a corporation that is not a company) as provided in Article 749, paragraph (1) of the Act;
- (ix) "company disappearing in an absorption-type merger" means any company disappearing in an absorption-type merger (including a corporation which is not a company that disappears in an absorption-type merger with a corporation which is not a company) as provided in Article 749, paragraph (1) item (i) of the Act;
- (x) "company incorporated in a consolidation-type merger" means any company incorporated in a consolidation-type merger (including a company that is incorporated through a consolidation-type merger with a corporation that is not a company) as provided in Article 753, paragraph (1) of the Act;
- (xi) "company disappearing in a consolidation-type merger" means any company disappearing in a consolidation-type merger (including a corporation which is not a company that disappears in a consolidation-type merger with a corporation which is not a company) as provided in Article 753, paragraph (1), item (i) of the Act;
- (xii) "wholly owning parent company resulting from a share exchange" means any wholly owning parent company resulting from a share exchange (including the wholly owning parent company resulting from a share exchange on entity conversion as provided in Article 96-5, paragraph (1) of

- the Insurance Business Act) as provided in Article 767 of the Act;
- (xiii) "wholly owned subsidiary company resulting from a share exchange" means any wholly owned subsidiary company resulting from a share exchange (including a stock company for which all of whose shares are acquired by the wholly owning parent company resulting from the share exchange on entity conversion as provided in Article 96-5, paragraph (1) of the Insurance Business Act) as provided in Article 768, paragraph (1), item (i) of the Act;
- (xiv) "wholly owning parent company incorporated in a share transfer" means the wholly owning parent company incorporated in a share transfer (including the wholly owning parent company incorporated in a share transfer on entity conversion as provided in Article 96-8, paragraph (1) of the Insurance Business Act) as provided in Article 773, paragraph (1), item (i) of the Act;
- (xv) "wholly owned subsidiary company resulting from a share transfer" means a wholly owned subsidiary company resulting from a share transfer (including a stock company for which all of whose issued shares are to be acquired by the wholly owning parent company incorporated in a share transfer on entity conversion as provided in Article 96-8, paragraph (1) of the Insurance Business Act) as provided in Article 773, paragraph (1), item (v) of the Act;
- (xvi) "company, etc." means a company (including a foreign company), partnership (including entities equivalent to a partnership in foreign countries), or other business entities equivalent thereto;
- (xvii) "shareholders, etc." means shareholders and members of membership companies, and other persons corresponding thereto;
- (xviii) "affiliated company" means another company (excluding a subsidiary company), when a company can exert material impact on that other company's decisions on financial and business policies;
- (xix) "consolidated subsidiary company" means a subsidiary company that falls within the scope of a consolidation;
- (xx) "unconsolidated subsidiary company" means a subsidiary company that is outside the scope of a consolidation;
- (xxi) "consolidated company" means the relevant stock company and its consolidated subsidiary companies;
- (xxii) "associated company" means a company that is the relevant stock company's parent company, subsidiary companies affiliated companies, as well as a company, etc. for which the relevant stock company is an affiliated company;
- (xxiii) "means of adjusting equity" means the method used by an investing company to amend the amount of its investment in another company each

- business year due to changes in the portion owned by the investing company with regard to the net assets, profits and losses of the other company;
- (xxiv) "tax effect accounting" means, when there is a variance between the amounts of assets and liabilities recorded in the balance sheet or the consolidated balance sheet and the amounts of assets and liabilities that are the results of the calculation of taxable income, accounts processing for the purposes of reasonably homologizing the amount of net profit for the current period before corporation tax, etc. (meaning corporation tax, residents tax and business tax (meaning business tax subject to a tax base which is an amount affiliated with profit); the same applies hereinafter) is deducted, and the amount of corporation tax, etc., through appropriate period allocation of the amount of corporation tax, etc. concerning the variance;
- (xxv) "hedge accounting" means accounts processing for the purposes of recognizing, in the same accounting period, profit and loss concerning hedging instruments (meaning transactions that aim to abate the risk of loss due to price fluctuations, interest rate fluctuations and currency exchange rate fluctuations concerning assets (including those which are reliably expected to occur in future transactions; the same applies hereinafter in this item) or liabilities (including those which are reliably expected to occur in future transactions; the same applies hereinafter in this item), or derivative transactions, and which are recognized as abating the risk of that loss; the same applies hereafter) and profit and loss concerning hedging instrument subjects (meaning assets, or liabilities, or derivative transactions that are the subjects of hedging instruments);
- (xxvi) "trading securities" means securities held for the purpose of financial gain through changes in market value;
- (xxvii) "bond certificates held to maturity" means bond certificates held with the intention of ownership until maturity (limited to those that have been acquired with the intention of ownership until maturity);
- (xxviii) "reacquired bonds" means a company's bonds that the company itself holds;
- (xxix) "tender offer, etc." means a tender offer as provided in Article 27-2, paragraph (6) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (including as applied mutatis mutandis pursuant to Article 27-22-2, paragraph (2) of that Act), and systems based on foreign laws and regulations which correspond thereto;
- (xxx) "shareholders' equity, etc." means the stated capital, capital surplus and retained earnings of a stock company or membership company;
- (xxxi) "acquisition of control" means a first company's acquisition of control over a second company (excluding cases where the first company and the second company are under common control; the same applies hereafter in

- this item) or the second company's business;
- (xxxii) "under common control" means a relationship in which two or more persons (including those without legal personality; the same applies hereinafter in this item) are controlled by the same person (excluding temporary control; the same applies hereinafter in this item), or a relationship in which, among two or more persons, one of the persons controls all other persons;
- (xxxiii) "absorption-type restructuring" means the acts set forth below:
- (a) absorption-type merger;
 - (b) absorption-type company split;
 - (c) share exchange;
- (xxxiv) "acts of acceptance related to absorption-type restructuring" means the acts set forth below:
- (a) assumption of all of the rights and obligations of a company disappearing in an absorption-type merger through an absorption-type merger;
 - (b) assumption of all or part of the rights and obligations that a company splitting in an absorption-type split has related to its business through an absorption-type company split;
 - (c) acquisition of all of the issued shares of a wholly owned subsidiary company resulting from a share exchange through a share exchange;
- (xxxv) "assets subject to absorption-type restructuring" means assets as provided in the following item (a) or (b) in accordance with the categories of absorption-type restructuring set forth therein:
- (a) absorption-type merger: assets succeeded to through an absorption-type merger by the company surviving absorption-type merger;
 - (b) absorption-type company split: assets succeeded to through an absorption-type company split by the company succeeding in the absorption-type split;
- (xxxvi) "consideration in an absorption-type restructuring means assets as provided in the following items (a) through (c) in accordance with the categories of absorption-type restructuring set forth therein:
- (a) absorption-type merger: assets delivered to shareholders, etc. of a company disappearing in an absorption-type merger by a company surviving the absorption-type merger when an absorption type merger is effected;
 - (b) absorption-type company split: assets delivered to a company splitting in an absorption-type split by a company succeeding in an absorption-type split when an absorption-type company split is effected;
 - (c) share exchange: assets delivered to the shareholders of a wholly owned subsidiary company resulting from a share exchange by a wholly owning parent company resulting from a share exchange when a share exchange is

- effected;
- (xxxvii) "market value of consideration in an absorption-type restructuring" means the value of the consideration in an absorption-type restructuring calculated according to the market value of the consideration in an absorption-type restructuring or by another appropriate method;
- (xxxviii) "treasury shares used as consideration" means treasury shares disposed of as consideration in an absorption-type restructuring;
- (xxxix) "previously acquired shares, etc." means shares as provided in the following (a) or (b) in accordance with the categories of cases set forth therein:
- (a) in the case of an absorption-type merger: Shares or equity interests of a company disappearing in an absorption-type merger which are held by the company surviving the absorption-type merger immediately prior to the absorption-type merger, or shares of a company disappearing in an absorption-type merger which are held by the relevant company disappearing in an absorption-type merger immediately prior to the absorption-type merger;
- (b) in the case of a consolidation-type merger: Shares of each company disappearing in a consolidation-type merger that the relevant company disappearing in a consolidation-type merger holds, and the shares or equity interests of other companies disappearing in consolidation-type mergers;
- (xl) "company split by absorption-type split-off" means, among absorption-type company splits, those in which, in the absorption-type company split agreement, the matters set forth in Article 758, item (viii) or Article 760, item (vii) of the Act are specified, and the company splitting in the absorption-type split, in accordance with the provisions of those items, delivers to its shareholders all of the consideration in an absorption-type restructuring;
- (xli) "consolidation-type restructuring" means the acts set forth below:
- (a) consolidation-type merger;
- (b) incorporation-type company split;
- (c) share transfer;
- (xlii) "assets subject to consolidation-type restructuring" means assets as provided in the following (a) or (b) in accordance with the categories of consolidation-type restructuring set forth therein:
- (a) consolidation-type merger: assets succeeded to through a consolidation-type merger by the company incorporated in a consolidation-type merger;
- (b) incorporation-type company split: assets succeeded to through an incorporation-type company split by the company incorporated in an incorporation-type split;
- (xliii) "consideration in a consolidation-type restructuring" means the assets as

provided in the following (a) through (c) in accordance with the categories of consolidation-type restructuring set forth therein:

- (a) consolidation-type merger: assets delivered to shareholders, etc. of a company disappearing in a consolidation-type merger by a company incorporated in a consolidation-type merger when a consolidation-type merger is effected;
- (b) incorporation-type company split: assets delivered to a company splitting in an incorporation-type split by a company incorporated in an incorporation-type split when an incorporation-type company split is effected;
- (c) share transfer: assets delivered to the shareholders of a wholly owned subsidiary company resulting from a share transfer by a wholly owning parent company incorporated in a share transfer when a share transfer is effected;
- (xlv) "market value of consideration in a consolidation-type restructuring" means the value of the consideration in a consolidation-type restructuring calculated according to the market value of the consideration in a consolidation-type restructuring or by another appropriate method;
- (xlv) "acquiring company in a consolidation-type merger" means, among the companies disappearing in a consolidation-type merger, the company that acquires control through the consolidation-type merger;
- (xlvi) "consolidated company succeeding to shareholders' equity" means a company disappearing in a consolidation-type merger, when the relevant company disappearing in a consolidation-type merger is specified to become a consolidated company succeeding to shareholders' equity as provided in this item, where all of the consideration in a consolidation-type restructuring that is delivered to the shareholders, etc. of the company disappearing in the consolidation-type merger is shares or equity interests of the relevant company incorporated in the consolidation-type merger;
- (xlvii) "company consolidated without delivering consideration" means a company disappearing in a consolidation-type merger if no consideration in a consolidation-type restructuring is delivered to the shareholders, etc. of the company disappearing in a consolidation-type merger;
- (xlviii) "company consolidated without delivering shares" means a company disappearing in a consolidation-type merger or a company consolidated without delivering consideration if all of the consideration in a consolidation-type restructuring that is delivered to the shareholders, etc. of the company disappearing in the consolidation-type merger is bonds, etc. of the company incorporated in the consolidation-type merger;
- (xlix) "consolidated company not succeeding to shareholders' equity" means a company disappearing in a consolidation-type merger which is not a

consolidated company succeeding to shareholders' equity or a company consolidated without delivering shares;

- (l) "company split by an incorporation-type split-off" means, among incorporation-type company splits, those in which the matters set forth in Article 763, paragraph (1), item (xii) or Article 765, paragraph (1), item (viii) of the Act are specified in the incorporation-type company split plan, and a company splitting in the incorporation-type split, in accordance with the provisions of those items, delivers to its shareholders all of the consideration in a consolidation-type restructuring;
- (li) "company to which consolidated dividend regulations apply" means a stock company (limited to those which are preparing consolidated financial statements for a given business year) which, when preparing financial statements concerning the given business year, specifies the intention to apply the provisions of Article 158, item (iv) with respect to calculations for the distributable amount for the relevant stock company between the time when the last day of a given business year becomes the last day of the most recent business year, to the time when the last day of the business year following the relevant business year becomes the last day of the most recent business year;
- (lii) "leased object" means an object used through a lease contract;
- (liii) "finance lease" means the leasing of an object under a lease contract that cannot be canceled during the period of the lease contract or equivalent leasing of an object, for which the lessee of the leased object is able to enjoy the substantial economic profit generated from the leased object, and for which the lessee bears substantial expenses that arise as a result of the use of the leased object;
- (liv) "finance lease under which ownership is transferred" means, among finance leases, one for which it is found that the terms and conditions under the lease contract make it clear that ownership of the leased object is to transfer to the lessee;
- (lv) "finance lease under which ownership is not transferred" means, among finance leases, one which is not a finance lease under which ownership is transferred;
- (lvi) "asset removal obligations" means the legal obligations related to the removal of tangible fixed assets that have arisen through the acquisition, construction, development or ordinary use of the tangible fixed assets and those legal obligation which are equivalent thereto;
- (lvii) "construction contract" means, among service contracts, one for which the basic specifications and operational contents concerning civil engineering, architecture, shipbuilding, the manufacture of mechanical equipment or other work are based on the instructions of the ordering party;

- (lviii) "accounting policies" means general principles and procedures of accounting practices employed in the preparation of financial statements or consolidated financial statements;
 - (lix) "retrospective application" means to perform accounting practices by assuming that new accounting policies are applied retrospectively to financial statements or consolidated financial statements for business years prior to the relevant business year;
 - (lx) "method of presentation" means the method of presentation employed in the preparation of financial statements or consolidated financial statements;
 - (lxi) "accounting estimates" means, if there is uncertainty in the amounts in the entries to be presented in financial statements or consolidated financial statements, to calculate their reasonable amounts based on information available at the time of the preparation of the financial statements or consolidated financial statements;
 - (lxii) "changes to accounting estimates" means to make changes to accounting estimates that have been made upon the preparation of the financial statements or consolidated financial statements for business years prior to the relevant business year, based on information that has become newly available;
 - (lxiii) "errors" means errors resulting from failing to use or erroneously using information that was available at the time of the preparation of the financial statements or consolidated financial statements, irrespective of whether they were intentional;
 - (lxiv) "correction of errors" means to prepare financial statements or consolidated financial statements by assuming that errors in the financial statements or consolidated financial statements for business years prior to the relevant business year have been corrected;
 - (lxv) "financial instruments" means financial assets (meaning claims arising from monetary claims, securities and derivative transactions (including equivalent matters)) and financial liabilities (meaning obligations arising from monetary debt or derivative transactions (including equivalent matters));
 - (lxvi) "leased real property" means real property owned for the purposes of profit or financial gain through lease or transfer, and which is real property which is not classified as an inventory asset.
- (4) The "case where a company can exert material impact on another company's decisions on financial and business policies" as provided in the preceding paragraph, item (xviii), means cases (excluding cases where it is found that there is evidence that, in light of its financial or business relationship, one company cannot exert an important impact on the financial or business policy decisions of another company, etc.) set forth below:

- (i) cases where the percentage of the number of voting rights owned on a first company's own account (including its subsidiary companies; the same applies hereinafter in this paragraph), with respect to the total number of voting rights in a second company, etc. (excluding companies, etc. set forth below that are recognized as being unable to exert an material impact on the financial or business policy decisions of a second company, etc.; the same applies hereinafter in this paragraph), is 20 percent or more:
 - (a) a company, etc. that has been issued a ruling on the commencement of rehabilitation proceedings under the provisions of the Civil Rehabilitation Act (Act No. 225 of 1999);
 - (b) a stock company that has been issued a ruling on the commencement of reorganization proceedings under the provisions of the Corporate Reorganization Act (Act No. 154 of 2002);
 - (c) a company, etc. that has been issued a ruling on the commencement of bankruptcy proceedings under the provisions of the Bankruptcy Act (Act No. 75 of 2004);
 - (d) any other company, etc. equivalent to any one of those set forth in (a) through (c);
- (ii) cases where the percentage of the number of voting rights owned on a first company's own account is 15 percent or more (except for cases set forth in the preceding item) with respect to the total number of voting rights of a second company, etc., and cases that fall under any of the requirements set forth below:
 - (a) that a person set forth below (limited to those who can exert an influence on the financial and business policy decisions of the second company, etc.) has assumed the office of a representative director, a director, or an equivalent title at the second company, etc.:
 1. an officer of the first company;
 2. a member executing the business of the first company;
 3. an employee of the first company;
 4. a person who was a person set forth in 1. through 3.;
 - (b) that the first company carries out important financing with respect to the second company, etc.;
 - (c) that the first company provides important technology to the second company, etc.;
 - (d) that there are important sales, purchasing or other business-related transactions between the first company and the second company, etc.;
 - (e) that other facts exist from which it can be inferred that the first company can exert material impact on the financial and business policy decisions of the second company, etc.;
- (iii) cases where the percentage of the first company's own and equivalent

voting rights (meaning the total number of the number of voting rights set forth below) in a second company, etc. is 20 percent or more (including when the voting rights are not owned on the first company's own account, except when set forth in the preceding two items), and when meeting any of the requirements set forth in (a) through (e) of the preceding item:

- (a) the voting rights owned by the first company on its own account;
- (b) the voting rights owned by persons for whom it is known that they will exercise their voting rights in the manner intended by the first company, due to a close relationship with the first company in terms of contribution, personnel affairs, funds, technology, and transactions, etc.;
- (c) the voting rights owned by persons who have consented to exercise their voting rights in the manner intended by the first company;
- (iv) cases where, based on a contract, or the equivalent thereto, between one company and an independent party, these parties jointly control another company, etc.

(Allowances for Accounting Practices)

Article 3 Regarding the interpretation of the terms and the application of the provisions found in this Ministerial Order, the standards of corporate accounting and other corporate accounting practices that are generally accepted as fair and appropriate must be taken into consideration.

Part II Accounting Books

Chapter I General Provisions

Article 4 (1) Matters related to the value of assets, liabilities, and net assets that are to be entered into accounting books to be prepared by the company pursuant to the provisions of Article 432, paragraph (1) and Article 615, paragraph (1) of the Act and other matters relating the preparation of accounting books (including matters that are to be specified by Ministry of Justice Order pursuant to the provisions of Article 445, paragraph (4) and paragraph (5) of the Act) are to be governed by the provisions of this Part.

(2) Accounting books must be prepared in writing or by means of electronic or magnetic records.

Chapter II Assets and Liabilities

Section 1 Valuation of Assets and Liabilities

Subsection 1 General Rules

(Valuation of Assets)

Article 5 (1) With regard to assets, unless otherwise provided in laws and

regulations other than this Ministerial Order or the Act, the acquisition values thereof must be entered to the accounting books.

- (2) With regard to assets to be depreciated, a reasonable amount of depreciation must be carried out on the last day of the business year (if valuation is to be carried out on a day other than the last day of the business year, that day; the same applies hereinafter in this Part).
- (3) With regard to the assets set forth in the following items, if the price provided in each respective item is to be entered on the last day of the business year, the price provided in each respective item must be entered:
 - (i) assets whose market value on the last day of the business year is significantly lower than the cost at acquisition (excluding assets for which the market value is expected to recover to the cost at acquisition): the market value on the last day of the business year;
 - (ii) assets for which a reduction in value has arisen which could not be predicted, or assets which should be recognized as an impairment loss on the last day of the business year: an amount reduced a reasonable amount from the cost at the time of acquisition.
- (4) With regard to claims for which there is a risk of non-collection, the amount which is forecast to remain uncollected on the last day of the business year must be deducted.
- (5) With regard to claims, if there is a difference between the acquisition value and the claim amount, or if there is another reasonable ground, the proper price may be entered.
- (6) With regard to the assets set forth below, the market value or the proper price at the time may be entered on the last day of the business year:
 - (i) assets whose market value on the last day of the business year is lower than the cost at acquisition;
 - (ii) assets with a market price (except shares of a subsidiary company and shares of an affiliated company, as well as bond certificates held to maturity);
 - (iii) beyond assets set forth in the preceding two items, assets for which it is appropriate to enter the market value or the proper price at the time on the last day of the business year.

(Valuation of Liabilities)

- Article 6 (1) With regard to liabilities, unless otherwise provided in laws and regulations other than this Ministerial Order or the Act, the amount of liabilities must be entered in the accounting books.
- (2) With regard to the liabilities set forth below, the market value or the proper price at the time may be entered on the last day of the business year:
 - (i) allowances for retirement benefits (meaning allowances that are to be

carried over on the last day of the business year if payment of a retirement lump sum, a retirement pension or other similar property to an employee after the employee's retirement is to be made; the same applies in Article 75, paragraph (2), item (ii)), and any other allowance to be recorded as the allowance for future expenses or losses by transferring, as the expenses or losses, the portion of the reasonable estimate amount to be borne in the business year (including allowances that are to be recorded if services are provided to shareholders, etc.):

- (ii) bonds for which the amount of payment received is different from the liability amount;
- (iii) liabilities other than those set forth in the preceding two items, for which it is appropriate to enter the market value or the proper price at the time on the last day of the business year.

Subsection 2 Valuation of Assets and Liabilities upon Entity Conversion

(Prohibition of Revaluation of Assets and Liabilities upon Entity Conversion)

Article 7 If a company performs an entity conversion, it may not change the book value of assets and liabilities it holds on the grounds that the entity conversion is being performed.

(Valuation of Assets and Liabilities in Organization Restructuring Actions)

Article 8 (1) For the companies set forth in the following items, except cases in which the absorption-type merger or absorption-type company split constitutes an acquisition of control on the part of that company, or other cases where the market value of the assets subject to absorption-type restructuring is to be entered, the book value of the company provided in each respective item immediately prior to the absorption-type merger or absorption-type company split must be entered for the assets subject to absorption-type restructuring:

- (i) company surviving absorption-type merger: company disappearing in an absorption-type merger;
- (ii) company succeeding in an absorption-type split: company splitting in an absorption-type split.

(2) The provisions of the preceding paragraph apply mutatis mutandis to consolidation-type mergers and incorporation-type company splits.

(Rights of Membership Companies to Claim Contributions)

Article 9 (1) If a membership company performs an entity conversion when immediately prior to the entity conversion the membership company is recording as assets claims concerning the right of a membership company to

demand that contributions should be performed by its members, it is deemed that the membership company has determined that it will not record the claims as assets immediately prior to the entity conversion.

- (2) The provisions of the preceding paragraph apply mutatis mutandis to cases where the membership company recording claims concerning the right to demand that contributions should be performed by its members as assets becomes a company disappearing in an absorption-type merger or a company disappearing in a consolidation-type merger.

(Valuation of Assets and Liabilities in Cases When a Corporation That Is Not a Company Becomes a Company)

Article 10 If a corporation which is not a company becomes a company pursuant to the provisions of the Acts set forth below, the book values to be entered by that company to the assets and liabilities that company holds are the book values entered for the relevant assets and liabilities of that corporation immediately prior to becoming that company, unless otherwise provided in other laws and regulations:

- (i) Agricultural Co-operatives Act (Act No. 132 of 1947);
- (ii) Financial Instruments and Exchange Act;
- (iii) Commodity Futures Act (Act No. 239 of 1950);
- (iv) Act on the Organization of Small and Medium-sized Enterprise Association (Act No. 185 of 1957);
- (v) Research and Development Partnerships Act (Act No. 81 of 1961);
- (vi) Act on Financial Institutions' Merger and Conversion (Act No. 86 of 1968);
- (vii) Insurance Business Act.

Section 2 Goodwill

Article 11 If a company is performing an absorption-type restructuring, a consolidation-type restructuring, or an acceptance of assignment of business, it may record the appropriate amount of goodwill as assets or liabilities.

Section 3 Special Accounts for Shares and Equity Interests

Article 12 If a company acquires shares or equity interests as consideration for an absorption-type company split, a share exchange, an incorporation-type company split, a share transfer or an assignment of business, it may record the appropriate amount as a special allowance concerning the shares or equity interests as liabilities.

Chapter III Net Assets

Section 1 Shareholders' Equity in Stock Companies
Subsection 1 Delivery of Shares

(General Rules)

- Article 13 (1) The maximum amount of increase in stated capital of a stock company (meaning the amount of property that persons who are shareholders as provided in Article 445, paragraph (1) of the Act have paid or delivered to the stock company, the same applies hereinafter in this Section) through share delivery occurring after the formation of the stock company (excluding share delivery upon performance of the actions set forth in the same Article, paragraph (5) of the Act), the amount of other capital surplus and other retained earnings, and the amount of consideration for treasury shares (meaning the amount of consideration for the treasury shares as provided in Article 150, paragraph (2), item (viii) and Article 158, item (viii), (b) hereof, and Article 446, item (ii) and Article 461, paragraph (2), item (ii), (b) and item (iv) of the Act; the same applies hereinafter in this Chapter) are to be governed by this Subsection.
- (2) The phrase "share delivery occurring after the formation of a stock company" as provided in the preceding paragraph means the issuance of shares and the disposition of treasury shares (in the cases set forth in item (viii), item (ix), item (xii), item (xiv) and item (xv), the disposition of treasury shares) that occurs after the formation of a stock company in the cases set forth below:
- (i) cases where, pursuant to the provisions of Part II, Chapter II, Section 8 of the Act, subscribers for shares for subscription are solicited;
 - (ii) cases where shares with put options (limited to those for which there are provisions with respect to the matters set forth in Article 108, paragraph (2), item (v), (b) of the Act; the same applies hereinafter in this Chapter) are acquired;
 - (iii) cases where shares subject to call (limited to those for which there are provisions with respect to the matters set forth in Article 108, paragraph (2), item (vi), (b) of the Act; the same applies hereinafter in this Chapter) are acquired;
 - (iv) cases where shares subject to class-wide call (limited to the shares subject to class-wide call if provisions have been made with respect to the matters set forth in Article 171, paragraph (1), item (i), (a) of the Act at acquisition of the shares subject to class-wide call; the same applies hereinafter in this Chapter) are acquired;
 - (v) cases where an allotment of shares without contribution is made;
 - (vi) cases where share options have been exercised;
 - (vii) cases where share options subject to call (limited to those for which there are provisions with respect to the matters set forth in Article 236, paragraph

- (1), item (vii), (d) of the Act; the same applies hereinafter in this Chapter) are acquired;
- (viii) cases where the stock company has received a demand for the sale of shares less than one unit;
 - (ix) cases where the stock company is to deliver shares corresponding to the shares acquired from a shareholder (including persons who bear the obligations jointly and severally with the shareholder) who performs the obligations as provided in Article 462, paragraph (1) of the Act that arise due to the fact that the shareholder has acquired shares of the stock company;
 - (x) cases where the stock company survives an absorption-type merger;
 - (xi) cases where another company succeeds to all or part of the rights and obligations related to the stock company's business, as a result of an absorption-type company split;
 - (xii) cases where the company splitting in the absorption-type split (limited to a stock company) allows the company succeeding in the absorption-type split to succeed to its treasury shares through an absorption-type company split;
 - (xiii) cases where the stock company acquires all the issued shares of another stock company through a share exchange;
 - (xiv) cases where the wholly owning parent company resulting from the share exchange acquires the stock company's treasury shares in a share exchange;
 - (xv) cases where, in a share transfer, the wholly owning parent company incorporated in the share transfer acquires the stock company's treasury shares.

(Cases Where Subscribers Are Solicited for Shares for Subscription)

Article 14 (1) If the subscribers are solicited for shares for subscription pursuant to the provisions of Part II, Chapter II, Section 8 of the Act, the maximum amount of increase in stated capital is the amount obtained by subtracting the amount set forth in item (iv) from the amount obtained by multiplying by the share issue rate (meaning the rate obtained by dividing the number of shares issued at the solicitation by the sum of the number of shares issued and the number of treasury shares disposed of at the solicitation; the same applies hereinafter in this Article) the amount obtained by subtracting the amount set forth in item (iii) from the sum of the amounts set forth in item (i) and item (ii) (if this is less than zero; zero):

- (i) the amount of monies received as payment pursuant to the provisions of Article 208, paragraph (1) of the Act (for the monies set forth respectively as follows in (a) or (b), the respective amounts provided therein):
 - (a) cases where payment of monies has been received in the currency of a foreign country (excluding the cases set forth in (b)): an amount calculated based on the exchange rate for the foreign currency on the date referred to

- in Article 199, paragraph (1), item (iv) of the Act (if the period referred to in the same item has been determined, the day on which payment is received pursuant to the provisions of Article 208, paragraph (1) of the Act);
- (b) cases where the calculations for the maximum amount of increase in stated capital based on the amount of monies received as payment (including the amount as provided in (a)) are incorrect: the book value of the monies immediately prior to the payment according to the person who has made the payment;
- (ii) if, pursuant to the provisions of Article 208, paragraph (2) of the Act, the delivery of properties contributed in kind (meaning the properties contributed in kind as provided in Article 207, paragraph (1) of the Act; the same applies hereinafter in this Article) has been received, the value of the properties contributed in kind (for the properties contributed in kind set forth in (a) or (b) below, the amount provided therein) on the date referred to in Article 199, paragraph (1), item (iv) of the Act (if the period referred to in the same item has been determined, the day on which the delivery is received pursuant to Article 208, paragraph (2) of the Act):
- (a) cases where the relevant stock company and the person who has delivered the properties contributed in kind are under common control (excluding cases where a market value is to be entered for the properties contributed in kind): the book value of the properties contributed in kind immediately prior to the delivery according to the person who has delivered them;
- (b) in cases other than that set forth in (a), when the calculations for the maximum amount of increase in stated capital based on the value of properties contributed in kind received through the delivery are incorrect: the book value as provided in (a);
- (iii) among the amounts of expenses concerning the delivery of shares for subscription taken as the matters set forth in Article 199, paragraph (1) item (v) of the Act, the amount determined by the stock company as the amount to be subtracted from the maximum amount of increase in stated capital; or
- (iv) when the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) is equal to or greater than zero, the relevant amount:
- (a) the book value of treasury shares disposed of at the solicitation;
- (b) the amount obtained by multiplying by the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one; the same applies hereinafter in this Article) the amount obtained by subtracting the amount set forth in the preceding item from the sum of the amounts set forth in item (i) and item (ii) (if this is less than zero; zero).
- (2) In the cases prescribed in the preceding paragraph, the amounts after the

acts set forth in the same paragraph set forth in the following items are to be the amounts obtained by adding the amounts provided in those items to those respective amounts existing immediately prior to the act set forth in the same paragraph:

- (i) the amount of other capital surplus: the amount obtained by subtracting the amount set forth in (c) from the sum of the amounts set forth in (a) and (b):
 - (a) the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the amount set forth in item (iii) of the preceding paragraph from the sum of the amounts set forth in item (i) and item (ii) of the same paragraph;
 - (b) whichever of the amounts set forth below is the smallest:
 - 1. the amount set forth in item (iv) of the preceding paragraph;
 - 2. the amount obtained by multiplying by the share issue rate the amount obtained by subtracting the amount set forth in item (iii) of the preceding paragraph from the sum of the amounts set forth in item (i) and item (ii) of the same paragraph (if this is less than zero; zero);
 - (c) the book value of treasury shares disposed of at the solicitation; or
 - (ii) the amount of other retained earnings: if the amount obtained by subtracting the amount set forth in item (iii) of the preceding paragraph from the sum of the amounts set forth in item (i) and item (ii) of the same paragraph is less than zero, the amount obtained by multiplying the relevant amount by the share issue rate.
- (3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the amount set forth in item (iii) of the same paragraph from the sum of the amounts set forth in paragraph (1), item (i) and item (ii).
- (4) The amount set forth in paragraph (2), item (i), (b), with respect to the application of the provisions of Article 150, paragraph (2), item (viii) and Article 158, item (viii), (b) hereof, and Article 446, item (ii), and Article 461, paragraph (2), item (ii), (b) and item (iv) of the Act, is also deemed to be included in the amount of consideration for treasury shares.
- (5) With respect to the application of the provisions of paragraph (1), item (ii), the amount set forth in Article 199, paragraph (1), item (ii) of the Act, and the value set forth in the same paragraph, item (iii) regarding properties contributed in kind, and the book value of the properties contributed in kind (including the amounts of stated capital and capital reserves concerning the contributions) must not be interpreted as having to be the same amount.

(Cases Where Shares Are Issued upon Share Acquisition)

Article 15 (1) In the cases set forth below, the maximum amount of increase in

stated capital is zero:

- (i) cases where shares with put options are acquired;
 - (ii) cases where shares subject to call are acquired;
 - (iii) cases where shares subject to class-wide call are acquired.
- (2) In the cases set forth in each item of the preceding paragraph, the amount of consideration for treasury shares is the book value of the treasury shares disposed of in the cases set forth respectively in those items.

(Cases Where an Allotment of Shares without Contribution Is Made)

- Article 16 (1) If an allotment of shares without contribution is made, the maximum amount of increase in stated capital is zero.
- (2) In the cases prescribed in the preceding paragraph, the amount of other capital surplus after an allotment of shares without contribution is the amount obtained by subtracting the book value of treasury shares disposed of in the allotment of shares without contribution from the amount of other capital surplus immediately prior to the allotment of shares without contribution.
- (3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is zero.

(Cases Where Share Options Have Been Exercised)

- Article 17 (1) If share options have been exercised, the maximum amount of increase in stated capital is the amount obtained by subtracting the amount set forth in item (v) from the amount obtained by multiplying by the share issue rate (meaning the rate obtained by dividing the number of shares issued upon exercise by the sum of the number of shares issued and the number of treasury shares disposed of upon exercise; the same applies hereinafter in this Article) the amount obtained by subtracting the amount set forth in item (iv) from the sum of the amounts set forth in item (i) through item (iii) (if this is less than zero; zero):
- (i) the book value of the share options at the time of exercise;
 - (ii) in the cases prescribed in Article 281, paragraph (1) of the Act, or in the cases as provided in the second sentence of paragraph (2) of the same Article, the amount of monies received as payment pursuant to those provisions (for monies in the cases set forth in (a) or (b) below, the amount as provided therein):
 - (a) cases where payment has been received of monies in the currency of a foreign country (excluding the cases set forth in (b)): an amount calculated based on the exchange rate for the foreign currency at the time of exercise;
 - (b) cases where the calculations for the maximum amount of increase in stated capital based on the amount of monies received as payment (including the amount prescribed in (a)) are incorrect: the book value of the

- monies immediately prior to the payment according to the person who has made the payment;
- (iii) if the delivery of the properties contributed in kind (meaning the properties contributed in kind as provided in Article 284, paragraph (1) of the Act; same applies hereinafter in this Article) have been received pursuant to the provisions of the first sentence of Article 281, paragraph (2) of the Act, the value of the properties contributed in kind at the time of exercise (for properties contributed in kind in the cases set forth in (a) or (b) below, the amount as provided therein):
- (a) cases where the relevant stock company and the person who has delivered the relevant properties contributed in kind are under common control (excluding cases where a market value is to be entered for the properties contributed in kind): the book value of the properties contributed in kind immediately prior to the delivery according to the person who has delivered them;
- (b) in cases other than that set forth in (a), when the calculations for the maximum amount of increase in stated capital based on the value of the properties contributed in kind received through the relevant delivery are incorrect: the book value as provided in (a);
- (iv) among the amounts of expenses concerning the delivery of shares taking place upon the exercise of share options taken as the matters set forth in Article 236, paragraph (1) item (v) of the Act, the amount determined by a stock company as the amount to be subtracted from the maximum amount of increase in stated capital;
- (v) when the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) is equal to or greater than zero, that amount:
- (a) the book value of treasury shares disposed of upon exercise;
- (b) the amount obtained by multiplying by the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one; the same applies hereinafter in this Article) the amount obtained by subtracting the amount set forth in the preceding item from the sum of the amounts set forth in item (i) through item (iii) (if this is less than zero; zero).
- (2) In the cases prescribed in the preceding paragraph, the amounts after the exercising of share options set forth in the following items are to be the amounts obtained by adding the amounts as provided in those items to those respective amounts existing immediately prior to the exercising:
- (i) the amount of other capital surplus: the amount obtained by subtracting the amount set forth in (c) from the sum of the amounts set forth in (a) and (b):
- (a) the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the amount set forth in item (iv) of the

- preceding paragraph from the sum of the amounts set forth in item (i) through item (iii) of the same paragraph;
- (b) whichever of the amounts set forth below is the smallest:
1. the amount set forth in item (v) of the preceding paragraph;
 2. the amount obtained by multiplying by the share issue rate the amount obtained by subtracting the amount set forth in the item (iv) of the preceding paragraph from the sum of the amounts set forth in item (i) through item (iii) of the same paragraph (if this is less than zero; zero);
- (c) the book value of treasury shares disposed of at the exercising;
- (ii) the amount of other retained earnings: if the amount obtained by subtracting the amount set forth in item (iv) of the preceding paragraph from the sum of the amounts set forth in item (i) through item (iii) of the same paragraph is less than zero, the amount obtained by multiplying the relevant amount by the share issue rate.
- (3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the amount set forth in item (iv) of the preceding paragraph from the sum of the amounts set forth in item (i) through item (iii) of the same paragraph.
- (4) The amount set forth in paragraph (2), item (i), (b), with respect to the application of the provisions of Article 150, paragraph (2), item (viii) and Article 158, item (viii), (b) hereof, and Article 446, item (ii) and Article 461, paragraph (2), item (ii), (b) and item (iv) of the Act, is also deemed to be included in the amount of consideration for treasury shares.
- (5) Regarding the application of the provisions of paragraph (1), item (i), if share options are share options for subscription, the matters set forth in Article 238, paragraph (1), item (ii) and item (iii) of the Act regarding the relevant share options for subscription and the book value referred to in paragraph (1), item (i) must not be interpreted as being required to be the same amount.
- (6) With respect to the application of the provisions of paragraph (1), item (iii), the values set forth in Article 236, paragraph (1), item (ii) and item (iii) of the Act regarding properties contributed in kind, and the book value of the properties contributed in kind (including the amounts of stated capital and capital reserves concerning the contributions), must not be interpreted as being required to be the same amount.

(Cases Where Share Options Subject to Call Are Acquired)

Article 18 (1) When share options subject to call are acquired, the maximum amount of increase in stated capital is the amount obtained by subtracting the amount set forth in item (iv) from the amount obtained by multiplying by the share issue rate (meaning the rate obtained by dividing the number of shares

issued at the acquisition by the sum of the number of shares issued and the number of treasury shares disposed of at the acquisition; the same applies hereinafter in this Article) the amount obtained by subtracting the sum of the amounts set forth in item (ii) and item (iii) from the amount set forth in item (i) (if this is less than zero; zero):

(i) the value of the relevant share options subject to call (including, if the relevant share options subject to call have been entered for bonds with share options (including bonds equivalent to the same; the same applies hereinafter in this item), bonds with respect to the bonds with share options (including bonds equivalent to the same); the same applies hereinafter in this paragraph) at the time of the acquisition;

(ii) among the amounts of expenses concerning the delivery of shares carried out in exchange for the acquisition of share options subject to call, the amount determined by a stock company as the amount to be subtracted from the maximum amount of increase in stated capital;

(iii) the sum total of the book value of the property that a stock company delivers in exchange for acquiring the relevant share options subject to call (except for shares of the stock company) (if the property is bonds (except for reacquired bonds) or share options (except for the stock company's own share options), the amount to be entered to the accounting books);

(iv) when the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) is equal to or greater than zero, that amount:

(a) the book value of treasury shares disposed of at the acquisition;

(b) the amount obtained by multiplying by the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one; hereinafter the same applies in this Article) the amount obtained by subtracting the sum of the amounts set forth in item (ii) and the preceding item from the amount set forth in item (i) (if this is less than zero; zero).

(2) In the cases prescribed in the preceding paragraph, the amounts after the acquisition of share options subject to call set forth in the following items are each to be the amounts obtained by adding the amounts as provided in those items to those respective amounts existing immediately prior to the acquisition of share options subject to call:

(i) the amount of other capital surplus: the amount obtained by subtracting the amount set forth in (c) from the sum of the amounts set forth in (a) and (b):

(a) the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the sum of the amounts set forth in item (ii) and item (iii) of the preceding paragraph from the amount set forth in item (i) of the same paragraph;

(b) whichever of the amounts set forth below is the smallest:

1. the amount set forth in item (iv) of the preceding paragraph;

2. the amount obtained by multiplying by the share issue rate the amount obtained by subtracting the sum of the amounts set forth in item (ii) and item (iii) of the preceding paragraph from the amount set forth in item (i) of the same paragraph (if this is less than zero; zero);
 - (c) the book value of treasury shares disposed of at the acquisition;
- (ii) the amount of other retained earnings: if the amount obtained by subtracting the sum of the amounts set forth in item (ii) and item (iii) of the preceding paragraph from the amount set forth in item (i) of the same paragraph is less than zero, the amount obtained by multiplying the share issue rate by the relevant amount.
- (3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the sum of the amounts set forth in item (ii) and item (iii) of the preceding paragraph from the amount set forth in item (i) of the same paragraph.
- (4) The amount set forth in paragraph (2), item (i), (b), with regard to the application of the provisions of Article 150, paragraph (2), item (viii) and Article 158, item (viii), (b) hereof, and Article 446, item (ii) and Article 461, paragraph (2), item (ii), (b) and item (iv) of the Act, is also deemed to be included in the amount of consideration for treasury shares.

(Cases Where a Demand for the Sale of Shares Less than One Unit Has Been Received)

- Article 19 (1) If a demand for the sale of shares less than one unit has been received, the maximum amount of increase in stated capital is zero.
- (2) In the case prescribed in the preceding paragraph, the amount of other capital surplus after the demand for the sale of shares less than one unit is the amount obtained by subtracting the amount set forth in item (iii) from the sum of the amounts set forth in item (i) and item (ii):
 - (i) the amount of other capital surplus immediately prior to demand for the sale of shares less than one unit;
 - (ii) the amount of charges concerning the demand for the sale of shares less than one unit;
 - (iii) the book value of treasury shares disposed of in response to the demand for the sale of shares less than one unit.
 - (3) In the case prescribed in paragraph (1), the amount of consideration for treasury shares is the amount of charges concerning demand for the sale of shares less than one unit.

(Cases Where Shares Are to Be Delivered to a Shareholder Who Has Fulfilled the Obligations as Provided in Article 462, Paragraph (1) of the Act)

Article 20 (1) If a stock company is to deliver shares corresponding to the shares acquired from a shareholder (including persons who bear the obligations jointly and severally with the shareholder) who performs the obligations as provided in Article 462, paragraph (1) of the Act that arise due to the fact that the shareholder acquired shares of the stock company, the maximum amount of increase in stated capital is zero.

(2) In the cases prescribed in the preceding paragraph, the amount of other capital surplus after the act referred to in the same paragraph is the amount obtained by subtracting the amount set forth in item (iii) from the sum of the amounts set forth in item (i) and item (ii):

(i) the amount of other capital surplus immediately prior to the act referred to in the preceding paragraph;

(ii) the amount of monies paid to the stock company by the shareholders (including persons who bear obligations jointly and severally with a shareholder) referred to in the preceding paragraph;

(iii) the book value of treasury shares disposed of at the delivery.

(3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is the amount of monies paid to a stock company by the shareholder (including persons who bear obligations jointly and severally with a shareholder) referred to in the same paragraph.

(Cases Where Obligations Concerning the Delivery of Shares at the Time of Incorporation or after Formation Have Been Performed)

Article 21 If the obligations set forth below have been performed, the amount of other capital surplus held by a stock company is to be increased by the amount of monies paid or any property other than monies delivered to the stock company through the performing of the obligations:

(i) the obligation to pay the amount as provided in Article 52, paragraph (1) of the Act pursuant to the provisions of the same paragraph (limited to the obligation when the person who has performed such obligation is an incorporator who delivered the property of Article 28, item (i) of the Act);

(ii) the obligation to perform the acts provided in the items of Article 52-2, paragraph (1) of the Act pursuant to the provisions of the same paragraph in the cases set forth respectively in those items;

(iii) the obligation to pay as provided in Article 102-2, paragraph (1) of the Act pursuant to the provisions of the same paragraph;

(iv) the obligation to pay the amounts provided in the items of Article 212, paragraph (1) of the Act pursuant to the provisions of the same paragraph in the cases set forth respectively in those items;

(v) the obligation to perform the acts provided in the items of Article 213-2, paragraph (1) of the Act pursuant to the provisions of the same paragraph in

- the cases set forth respectively in those items;
- (vi) the obligation to pay the amounts provided in the items of Article 285, paragraph (1) of the Act pursuant to the provisions of the same paragraph in the cases set forth respectively in those items;
- (vii) the obligation of a share option holder that has exercised a share option and that falls under any of the categories of persons provided in the items of Article 286-2, paragraph (2) of the Act to perform the acts specified respectively in those items pursuant to the provisions of the same paragraph.

Subsection 2 Dividends from Surplus

(Recording of Reserves under the Provisions of Article 445, Paragraph (4) of the Act)

Article 22 (1) If a stock company distributes dividends from surplus, the amount of capital reserves after distribution of dividends from surplus is the amount obtained by adding to the amount of capital reserves immediately prior to the distribution of dividends from surplus the amount as provided in the following items in accordance with the categories of cases set forth therein:

- (i) cases where the amount of reserves on the day of the relevant distribution of dividends from surplus is equal to or greater than the standard amount of capital (meaning the amount obtained by multiplying the amount of stated capital by one-fourth; the same applies hereinafter in this Article) on that day: zero;
 - (ii) cases where the amount of reserves on the day of the relevant distribution of dividends from surplus is less than the standard amount of capital on that day: the amount obtained by multiplying by the capital surplus distribution rate (meaning the rate obtained by dividing the amount set forth in item (i), (a) of the following Article by the amount set forth in Article 446, item (vi) of the Act) whichever amount is the smallest from the amounts set forth in (a) and (b):
 - (a) the maximum amount of appropriation from reserves (meaning the amount obtained by subtracting the amount of reserves from the standard amount of capital; the same applies hereinafter in this Article) on the day of the distribution of dividends from surplus;
 - (b) the amount obtained by multiplying by one-tenth the amount set forth in Article 446, item (vi) of the Act.
- (2) If a stock company distributes dividends from surplus, the amount of retained earnings reserves after distribution of dividends from surplus is the amount obtained by adding to the amount of retained earnings reserves immediately prior to the distribution of dividends from surplus the amount as provided in the following items in accordance with the categories of cases set forth therein:

- (i) cases where the amount of reserves on the day of the distribution of dividends from surplus is equal to or greater than the standard amount of capital on that day: zero;
- (ii) cases where the amount of reserves on the day of the distribution of dividends from surplus is less than the standard amount of capital on that day: the amount obtained by multiplying by the retained earnings distribution rate (meaning the rate obtained by dividing the amount set forth in item (ii), (a) of the following Article by the amount set forth in Article 446, item (vi) of the Act) by whichever amount is the smallest from the amounts set forth in (a) and (b):
 - (a) the maximum amount of appropriation from reserves on the day of the distribution of dividends from surplus;
 - (b) the amount obtained by multiplying by one-tenth the amount set forth in Article 446, item (vi) of the Act.

(Amounts of Deduction from Surplus)

Article 23 If a stock company distributes dividends from surplus, the amounts set forth in the following items after distribution of dividends from surplus are the amounts obtained by subtracting the amounts as provided in those items from those amounts immediately prior to the distribution of dividends from surplus:

- (i) the amount of other capital surplus: the sum of the amounts set forth below:
 - (a) among the amounts set forth in Article 446, item (vi) of the Act, the amount determined by a stock company as the amount to be subtracted from other capital surplus;
 - (b) at the time set forth in paragraph (1), item (ii) of the preceding Article, the amount as provided in the same item;
- (ii) the amount of other retained earnings: the sum of the amounts set forth below:
 - (a) among the amounts set forth in Article 446, item (vi) of the Act, the amount determined by a stock company as the amount to be subtracted from other retained earnings;
 - (b) in the cases set forth in paragraph (2), item (ii) of the preceding Article, the amount as provided in the same item.

Subsection 3 Treasury Shares

Article 24 (1) If a stock company acquires its own shares, the acquisition value is the amount of treasury shares that are to increase.

(2) If a stock company disposes of or cancels treasury shares, the book value is the amount of treasury shares that are to be reduced.

- (3) If a stock company cancels treasury shares, the amount of other capital surplus after the cancellation of treasury shares is the amount obtained by subtracting the book value of the cancelled treasury shares from the amount of the treasury shares immediately prior to cancellation.

Subsection 4 Increases or Decreases in the Amount of Stated Capital of a Stock Company

(Amount of Stated Capital)

Article 25 (1) Apart from what is specified in Subsection 1 and Section 4, the amount of stated capital of a stock company is to be increased by the amounts specified respectively in the following items only in the cases set forth in those items:

- (i) cases where the amount of reserves is reduced pursuant to the provisions of Article 448 of the Act (limited to the cases where the matters set forth in paragraph (1), item (ii) of the same Article have been determined): an amount corresponding to the amount taken as the stated capital referred to in the same item;
 - (ii) cases where the amount of surplus is reduced pursuant to the provisions of Article 450 of the Act: an amount corresponding to the amount of reduced surplus set forth in paragraph (1), item (i) of the same Article.
- (2) The amount of stated capital of a stock company is to be reduced by an amount corresponding to the amount under in Article 447, paragraph (1), item (i) of the Act, only in cases pursuant to the provisions of the same Article. In such cases, the amount of stated capital must not be interpreted as being reduced in the cases set forth below:
- (i) cases where a judgment upholding a claim seeking invalidation of the issue of new shares becomes final and binding;
 - (ii) cases where a judgment upholding a claim seeking invalidation of the disposition of treasury shares becomes final and binding;
 - (iii) cases where a judgment upholding a claim seeking invalidation of an absorption-type merger, absorption-type company split or share exchange of a company becomes final and binding;
 - (iv) cases where a manifestation of intention concerning subscription to shares issued at incorporation or shares for subscription: or any other manifestation of intention concerning the issuing of shares or the disposition of treasury shares, has been invalidated or rescinded.

(Amount of Capital Reserves)

Article 26 (1) Beyond what is specified in Subsections 1 and 2, and Section 4, the amount of capital reserves of a stock company is to be increased by the

amounts specified respectively in the following items only in the cases set forth in those items:

- (i) cases where the amount of stated capital is reduced pursuant to the provisions of Article 447 of the Act (limited to the cases where the matters set forth in paragraph (1), item (ii) of the same Article have been determined): an amount corresponding to the amount taken as the reserves referred to in the same item;
 - (ii) cases where the amount of surplus is reduced pursuant to the provisions of Article 451 of the Act: an amount corresponding to the amount referred to in paragraph (1), item (i) of the same Article (limited to amounts concerning other capital surplus).
- (2) The amount of capital reserves of a stock company is to be reduced by an amount corresponding to the amount (limited to amounts concerning capital reserves) under in Article 448, paragraph (1), item (i) of the Act, only in cases pursuant to the provisions of the same Article. In such cases, the provisions of the second sentence of paragraph (2) of the preceding Article apply mutatis mutandis.

(Amount of Other Capital Surplus)

Article 27 (1) Beyond what is specified in Subsection 1 and Section 4, the amount of other capital surplus of a stock company is to be increased by the amounts specified respectively in the following items only in the cases set forth in those items:

- (i) cases where the amount of stated capital is reduced pursuant to the provisions of Article 447 of the Act: an amount corresponding to the amount set forth in paragraph (1), item (i) of the same Article (in the cases prescribed in item (ii) of the same paragraph, the amount obtained by subtracting the amount set forth in the same item from the amount referred to in item (i) of the same paragraph);
 - (ii) cases where the amount of reserves is reduced pursuant to the provisions of Article 448 of the Act: an amount corresponding to the amount referred to in paragraph (1), item (i) of the same Article (limited to amounts concerning capital reserves, in the cases prescribed in item (ii) of the same paragraph, the amount obtained by subtracting the amount referred to in the same item with respect to capital reserves from the amounts concerning capital reserves);
 - (iii) beyond what is set forth in the preceding two items, cases where the amount of other capital surplus is to be increased: the correct amount by which to increase the amount of other capital surplus.
- (2) Beyond what is specified in the preceding three Subsections and Section 4, the amount of other capital surplus of a stock company is to be reduced by the

amounts specified respectively in the following items only in the cases set forth in those items:

- (i) cases where the amount of surplus is reduced pursuant to the provisions of Article 450 of the Act: an amount corresponding to the amount referred to in paragraph (1), item (i) of the same Article (limited to amounts concerning other capital surplus);
 - (ii) cases where the amount of surplus is reduced pursuant to the provisions of Article 451 of the Act: an amount corresponding to the amount referred to in paragraph (1), item (i) of the same Article (limited to amounts concerning other capital surplus);
 - (iii) beyond what is set forth in the preceding two items, cases where the amount of other capital surplus is to be reduced: the correct amount by which to reduce the amount of other capital surplus.
- (3) In the cases referred to in the preceding paragraph, in the preceding three subsections and in Section 4, when it is necessary and appropriate that all or part of the amount of other capital surplus to be reduced pursuant to those provisions should not be reduced, then notwithstanding those provisions, with regard to amounts for which non-reduction is appropriate, the amount of other capital surplus may not be reduced.

(Amount of Retained Earnings Reserves)

Article 28 (1) Beyond what is specified in Subsection 2 and Section 4, the amount of retained earnings reserves of a stock company is to be increased by an amount corresponding to the amount set forth in Article 451, paragraph (1), item (i) of the Act (limited to amounts concerning other retained earnings), only if the amount of surplus is reduced pursuant to the provisions of the same Article.

(2) The amount of retained earnings reserves of a stock company is to be reduced by an amount corresponding to the amount under Article 448, paragraph (1), item (i) of the Act (limited to amounts concerning retained earnings reserves), only in the cases prescribed in the same Article.

(Amount of Other Retained Earnings)

Article 29 (1) Beyond what is specified in Section 4, the amount of other retained earnings of a stock company is to be increased by the amounts set forth respectively in the following items only in the cases set forth in those items:

- (i) cases where the amount of reserves is reduced pursuant to the provisions of Article 448 of the Act: an amount corresponding to the amount set forth in paragraph (1), item (i) of the same Article (limited to amounts concerning retained earnings reserves, in the cases prescribed in item (ii) of the same paragraph, the amount obtained by subtracting the amount set forth in the

- same item with respect to retained earnings reserves from the amount set forth in item (i) of the same paragraph);
- (ii) cases where an amount of net profit for the current period has arisen: the amount of net profit for the current period;
 - (iii) beyond what is set forth in the preceding two items, cases where the amount of other retained earnings is to be increased: the correct amount by which to increase the amount of other retained earnings.
- (2) Beyond what is specified in the following paragraph, the amount of other retained earnings of a stock company is to be reduced by the amounts set forth respectively in the following items only in the cases set forth in those items:
- (i) cases where the amount of surplus is reduced pursuant to the provisions of Article 450 of the Act: an amount corresponding to the amount set forth in paragraph (1), item (i) of the same Article (limited to amounts concerning other retained earnings);
 - (ii) cases where the amount of surplus is reduced pursuant to the provisions of Article 451 of the Act: an amount corresponding to the amount set forth in paragraph (1), item (i) of the same Article (limited to amounts concerning other retained earnings);
 - (iii) cases where an amount of net loss for the current period has arisen: the amount of net loss for the current period;
 - (iv) beyond what is set forth in the preceding three items, cases where the amount of other retained earnings is to be reduced: the correct amount by which to reduce the amount of other retained earnings.
- (3) If there is an amount of other capital surplus to be reduced which may not be reduced pursuant to the provisions of Article 27, paragraph (3), an amount equal to the amount that may not be reduced is to be subtracted from that other retained earnings amount.

Section 2 Members' Equity in Membership Companies

(Amount of Stated Capital)

- Article 30 (1) Beyond what is specified in Section 4, the amount of stated capital of a membership company is to be increased by an amount determined by the membership company to be included in the calculation of the amount of stated capital from within the scope of the amounts as provided respectively in the following items, only in the cases set forth in those items:
- (i) cases where a member has made a contribution (excluding cases where the claims set forth in the following item concerning contributions made have been recorded as assets): an amount obtained by subtracting the sum of the amounts set forth in (c) from the sum of the amounts set forth in (a) and (b) (if this is less than zero; zero):

- (a) the value of property paid or delivered to the membership company through contributions made by the member (excluding the property if the property falls under the category of property prescribed in (b));
 - (b) the sum of the book values of property paid or delivered to the membership company through contributions made by the member (limited to cases in which the book value of the payment or delivery of the relevant property immediately prior to the payment or delivery of the relevant property according to the person who paid or delivered the property is to be entered as the book value of the property according to the membership company) immediately prior to the payment or delivery according to the person who made the payment or delivery;
 - (c) among the amounts of expenses concerning the receipt of the contributions, the amount determined by the membership company as the amount to be subtracted from its stated capital or capital surplus;
 - (ii) cases where a membership company has determined claims concerning its right to demand contributions from its members are to be recorded as assets: the value of the claims;
 - (iii) cases where a membership company has determined that all or part of the amount of its capital surplus is to be taken as the amount of its stated capital: the amount of the capital surplus.
- (2) The amount of stated capital of a membership company is to be reduced by the amounts set forth respectively in the following items only in the cases specified in those items:
- (i) cases where a membership company makes a return of equity interests to a withdrawing member (for limited liability companies, limited to the cases where procedures under the provisions of Article 627 of the Act have been undertaken): the amount which was recorded as the member's contribution in the amount of stated capital;
 - (ii) cases where a membership company makes a return of contributions to a member (for limited liability companies, limited to the cases where procedures under the provisions of Article 627 of the Act have been undertaken): the amount determined as the amount to be subtracted from the amount of stated capital, from within the scope of the value of contributions refunded through the return of contributions (limited to amounts equal to or less than the amount which was recorded as the member's contribution in the amount of stated capital);
 - (iii) cases where a membership company (excluding limited liability companies) has determined that the claims, which are referred to in item (ii) of the preceding paragraph and recorded as assets, are not to be recorded as assets: the amount the amount which was recorded as claims in the stated capital;
 - (iv) cases where a membership company (excluding limited liability companies)

has determined that all or part of the amount of its stated capital is to be taken as the amount of its capital surplus: an amount corresponding to the amount determined as the amount of the capital surplus;

- (v) cases where losses are compensated (for limited liability companies, limited to the cases where procedures under the provisions of Article 627 of the Act have been undertaken): an amount from within the scope of the amount of its stated capital which a membership company has determined to be for the compensation of losses.

(Amount of Capital Surplus)

Article 31 (1) Beyond what is specified in Section 4, the amount of capital surplus of a membership company is to be increased by the amounts specified respectively in the following items only in the cases set forth in those items:

- (i) cases where members have made contributions (excluding cases where claims referred to in the following item concerning contributions made have been recorded as assets): an amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a):
 - (a) the amount obtained by subtracting the amount set forth in paragraph (1), item (i), (c) of the preceding Article from the sum of the amounts set forth in (a) and (b);
 - (b) the amount which was recorded in the amount of stated capital after the relevant contributions;
- (ii) cases where a membership company has determined that claims concerning its right to demand that its members make contributions are to be recorded as assets: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a):
 - (a) the amount as provided in paragraph (1), item (ii) of the preceding Article;
 - (b) the amount which was recorded in the amount of stated capital at the time of the decision;
- (iii) cases where a membership company (excluding limited liability companies) has determined that all or part of the amount of its stated capital is to be taken as the amount of its capital surplus: an amount determined to be the amount of the capital surplus;
- (iv) cases where losses are compensated (for limited liability companies, limited to cases where procedures under the provisions of Article 627 of the Act have been undertaken): an amount from within the scope of the amount of its stated capital which a membership company has determined to be for the compensation of losses;
- (v) beyond what is set forth in the preceding items, cases where it is appropriate to increase the amount of capital surplus: the appropriate

amount.

(2) Beyond what is specified in Section 4, the amount of capital surplus of a membership company is to be reduced by the amounts specified respectively in the following items only in the cases set forth in those items; provided, however, that an amount corresponding to the book value of property refunded through the distribution of profits is not to be deducted from the amount of capital surplus:

- (i) cases where a membership company makes a return of equity interests to a withdrawing member: the amount included in the calculation of the capital surplus with respect to the withdrawing member's contribution;
- (ii) cases where a membership company makes a return of contributions to a member: the amount obtained by subtracting the amount by which the amount of stated capital is reduced pursuant to the provisions of paragraph (2) of the preceding Article if the return of contribution is made from the value of contribution refunded through the return of contributions;
- (iii) cases where a membership company (excluding limited liability companies) has determined that the claims which are referred to in item (ii) of the preceding paragraph and recorded as assets are not to be recorded as assets: the amount which was recorded as claims in the capital surplus;
- (iv) cases where a membership company has determined that all or part of the amount of its capital surplus is to be taken as the amount of its stated capital: an amount corresponding to the amount determined as the amount of stated capital;
- (v) cases where a limited liability company is deemed to have determined, pursuant to the provisions of Article 9, paragraph (1) (including cases where it is applied *mutatis mutandis* under paragraph (2) of the same Article), that the claims, which are referred to in item (ii) of the preceding paragraph and recorded as assets are not to be recorded as assets: the amounts which were recorded as claims in the stated capital and capital surplus;
- (vi) beyond what is set forth in the preceding items, cases where it is appropriate to reduce the amount of capital surplus: the appropriate amount.

(The Amount of Retained Earnings)

Article 32 (1) Beyond what is prescribed in Section 4, the amount of retained earnings of a membership company is to be increased by the amounts specified respectively in the following items only in the cases set forth in those items:

- (i) cases where an amount of net profit for the current period has arisen: that amount of net profit for the current period;
- (ii) cases where a membership company makes a return of equity interests to a withdrawing member: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) (if this is less than zero, zero):

- (a) the sum of the amounts of contributions which were recorded as stated capital and capital surplus related to the relevant return of equity interests to members;
 - (b) the book value of property refunded through the relevant return of equity interests;
 - (iii) beyond what is set forth in the preceding two items, cases where it is appropriate to increase the amount of retained earnings: the appropriate amount.
- (2) Beyond what is prescribed in Section 4, the amount of retained earnings of a membership company is to be reduced by the amounts prescribed respectively in the following items only in the cases set forth in those items; provided, however, that an amount corresponding to the book value of the property refunded through the return of contributions is not to be deducted from the amount of retained earnings:
- (i) cases where an amount of net loss for the current period has arisen: that amount of net loss for the current period;
 - (ii) cases where a membership company makes a return of equity interests to a withdrawing member: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) (if this is less than zero, zero):
 - (a) the book value of the property refunded through the relevant return of equity interests;
 - (b) the sum of the amounts of contributions which were recorded as stated capital and capital surplus related to the relevant return of equity interests to members;
 - (iii) cases where members make contributions (limited to the cases where the sum of the amounts set forth in Article 30, paragraph (1), item (i), (a) and (b) is less than zero): that sum;
 - (iv) beyond what is set forth in the preceding three items, cases where it is appropriate to reduce the amount of retained earnings: the appropriate amount.

Section 3 Shareholders' Equity and Members' Equity upon Entity Conversion

(Members' Equity in a Membership Company After Entity Conversion)

Article 33 If a stock company performs an entity conversion, the relevant amounts set forth in the following items for the membership company after entity conversion are as provided respectively in those items:

- (i) the amount of stated capital: the amount of stated capital of the stock company immediately prior to the entity conversion;
- (ii) the amount of capital surplus: the amount obtained by subtracting the sum

of the amounts set forth in (b) and (c) from the amount set forth in (a):

- (a) the sum of the amount of capital reserves and the amount of other capital surplus of the stock company immediately prior to the entity conversion;
 - (b) the book value of treasury shares held by the stock company performing the entity conversion;
 - (c) among the book values of property other than equity interests of the membership company after entity conversion that is delivered to shareholders of the stock company performing an entity conversion (in the case of bonds of the membership company after entity conversion (excluding reacquired bonds; the same applies in (b) of the following item), the book value to be entered for the bonds), the amount determined by the stock company as the amount to be subtracted from the amount of capital surplus; or
- (iii) the amount of retained earnings: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a):
- (a) the sum of the amount of retained earnings reserves and the amount of other retained earnings of the stock company immediately prior to the entity conversion;
 - (b) among the book values of property other than equity interests of the membership company after entity conversion that is delivered to shareholders of the stock company performing an entity conversion (in cases of bonds of the membership company after entity conversion, the book value to be entered for the bonds), the amount determined by the stock company as the amount to be subtracted from the amount of retained earnings.

(Shareholders' Equity in a Stock Company after Entity Conversion)

Article 34 If a membership company performs an entity conversion, the amounts of the stock company after entity conversion set forth in the following items are the amounts as provided respectively in those items:

- (i) the amount of stated capital: the amount of stated capital of the membership company immediately prior to the entity conversion;
- (ii) the amount of capital reserves: zero;
- (iii) the amount of other capital surplus: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a):
 - (a) the amount of capital surplus of the membership company immediately prior to the entity conversion;
 - (b) among the book values of property other than shares of the stock company after entity conversion that is delivered to members of the membership company performing an entity conversion (in cases of bonds, etc. of the stock company after entity conversion (excluding reacquired bonds; the

same applies in item (v), (b)), the book value to be entered for the bonds, etc.), the amount determined by the membership company performing an entity conversion as the amount to be subtracted from the amount of capital surplus;

(iv) the amount of retained earnings reserves: zero;

(v) the amount of other retained earnings: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a):

(a) the amount of retained earnings of the membership company immediately prior to the entity conversion;

(b) among the book values of property other than shares of the stock company after entity conversion that is delivered to members of the membership company performing an entity conversion (in the case of bonds, etc. of the stock company after entity conversion, the book value to be entered for the bonds, etc.), the amount determined by the membership company performing an entity conversion as the amount to be subtracted from the amount of other retained earnings.

Section 4 Shareholders' Equity and Members' Equity upon an Absorption-Type Merger, Absorption-Type Company Split, and Share Exchange

Subsection 1 Absorption-Type Merger

(Amount of Changes in Shareholders' Equity, Etc. in a Company Surviving an Absorption-Type Merger If All or Part of the Consideration in an Absorption-Type Restructuring Is Shares or Equity Interests of the Company Surviving Absorption-Type Merger)

Article 35 (1) If all or part of the consideration in an absorption-type restructuring is shares or equity interests of the company surviving the absorption-type merger, the total amount of changes in shareholders' equity, etc. in the company surviving absorption-type merger (referred to as the "amount of changes in shareholders' equity, etc." in the following paragraph) is determined according to the methods as provided in the following items in accordance with the categories of cases set forth therein:

(i) cases where the relevant absorption-type merger is an acquisition of control (excluding cases of acquisition of control by the company disappearing in the absorption-type merger): a method of calculation that takes as its basis the market value of consideration in an absorption-type restructuring or the market value of the assets subject to absorption-type restructuring;

(ii) cases where the company surviving the absorption-type merger and the company disappearing in the absorption-type merger are under common control: a method of calculation that takes as its basis the book value of the

assets subject to absorption-type restructuring immediately prior to the absorption-type merger (when there is a portion that should be calculated according to the method prescribed in preceding item, that method);
(iii) cases other than those set forth in the preceding two items: the method prescribed in the preceding item.

(2) In the cases referred to in the preceding paragraph, the amount of increase in the stated capital and the capital surplus of a company surviving an absorption-type merger are each to be determined by the company surviving an absorption-type merger in accordance with the provisions of the absorption-type merger agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings is not to change; provided, however, that if the amount of changes in shareholders' equity, etc. is less than zero, within the amount of changes in shareholders' equity, etc., the amount of loss arising from the disposition of treasury shares used as consideration is to be the amount of decrease in other capital surplus (if the company surviving absorption-type merger is a membership company, the capital surplus; the same applies in the following Article); any remaining amount is to be from the amount of decrease in other retained earnings (if the company surviving absorption-type merger is a membership company, the retained earnings; the same applies in the following Article); and the amounts of the stated capital, the capital reserves, and the retained earnings reserve are not to change.

(Amount of Changes in Shareholders' Equity, Etc. in a Company Surviving an Absorption-Type Merger If Shareholders' Equity, Etc. Is Carried Over)

Article 36 (1) Notwithstanding the provisions of the preceding Article, if all of the consideration in an absorption-type restructuring is shares or equity interests of the company surviving the absorption-type merger, when it is appropriate to calculate the shareholders' equity, etc. of the company disappearing in the absorption-type merger immediately prior to the absorption-type merger as being carried over, the amounts of stated capital, capital surplus and retained earnings of the company disappearing in the absorption-type merger immediately prior to the absorption-type merger may each be taken as amounts of changes in stated capital, capital surplus and retained earnings of the company surviving absorption-type merger; provided, however, that if there are treasury shares used as consideration or previously acquired shares, etc., the amount obtained by subtracting the book value of the treasury shares used as consideration or the previously acquired shares, etc. from the amount of other capital surplus of the company disappearing in the absorption-type merger immediately prior to the absorption-type merger is the amount of changes in other capital surplus of the company surviving the

absorption-type merger.

- (2) If there is no consideration in an absorption-type restructuring, when it is appropriate to calculate the shareholders' equity, etc. of the company disappearing in the absorption-type merger immediately prior to the absorption-type merger as being carried over, the sum of the amounts of stated capital and capital surplus of the company disappearing in the absorption-type merger immediately prior to the absorption-type merger may be taken as the amount of changes in other capital surplus of the company surviving absorption-type merger, and the amount of retained earnings immediately prior to the absorption-type merger may be taken as the amount of changes in other retained earnings of the company surviving absorption-type merger; provided, however, that if there are previously acquired shares, etc., the amount obtained by subtracting the book value of the previously acquired shares, etc. from the sum of stated capital and capital surplus of the company disappearing in the absorption-type merger immediately prior to the absorption-type merger is the amount of changes in other capital surplus of the company surviving the absorption-type merger.

Subsection 2 Absorption-Type Company Split

(Amount of Changes in Shareholders' Equity, Etc. in a Company Succeeding in an Absorption-Type Split If All or Part of the Consideration in an Absorption-Type Restructuring Is Shares or Equity Interests of the Company Succeeding in the Absorption-Type Split)

- Article 37 (1) If all or part of the consideration in an absorption-type restructuring is shares or equity interests of a company succeeding in an absorption-type split, the total amount of changes in shareholders' equity, etc. in the company succeeding in the absorption-type split (referred to as "amount of changes in shareholders' equity, etc." in the following paragraph) is determined according to the methods as provided in the following items in accordance with the categories of cases set forth therein:
- (i) cases where the relevant absorption-type split falls under the category of an acquisition of control (excluding cases of an acquisition of control by the company splitting in the absorption-type split): a method of calculation that takes as its basis the market value of the consideration in an absorption-type restructuring or the market value of the assets subject to absorption-type restructuring;
 - (ii) cases other than those set forth in the preceding item, when a market value is to be entered for the assets subject to absorption-type restructuring: a method as prescribed in the preceding item;
 - (iii) cases where the company succeeding in the absorption-type split and the

- company splitting in the absorption-type split are under common control (excluding the cases set forth in the preceding items): a method of calculation taking as its basis the book value of the assets subject to absorption-type restructuring immediately prior to the absorption-type company split (when there is a portion that should be calculated according to the method prescribed in item (i), that method);
- (iv) cases other than those set forth in the preceding three items: a method as prescribed in the preceding item.
- (2) In cases referred to in the preceding paragraph, the amount of increase of the stated capital and the capital surplus of a company succeeding in an absorption-type split are each to be determined by the company succeeding in an absorption-type split in accordance with the provisions of the absorption-type split agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings is not to change; provided, however, that if the amount of changes in shareholders' equity, etc. is less than zero, within the amount of changes in shareholders' equity, etc., the amount of loss arising from the disposition of treasury shares used as consideration is to be deducted from other capital surplus (if the company succeeding in the absorption-type split is a membership company, the capital surplus; the same applies in the following Article); any remaining amount is to be deducted from other retained earnings (if the company succeeding in the absorption-type split is a membership company, the retained earnings; the same applies in the following Article); and the amounts of the stated capital, the capital reserves, and the retained earnings reserves are not to change.

(Amount of Changes in Shareholders' Equity, Etc. in a Company Succeeding in an Absorption-Type Split If Shareholders' Equity, Etc. Is Carried Over)

Article 38 (1) Notwithstanding the provisions of the preceding Article, if all of the consideration in an absorption-type restructuring in a company split by absorption-type split-off is shares or equity interests of the company succeeding in an absorption-type split, when it is appropriate to calculate all or part of the shareholders' equity, etc. of the company splitting in the absorption-type split immediately prior to the absorption-type company split as being carried over, the amounts of stated capital, capital surplus and retained earnings of the company splitting in the absorption-type split that change due to the company split by absorption-type split-off may each be taken as amounts of changes in stated capital, capital surplus and retained earnings of the company succeeding in the absorption-type split; provided, however, that if there are treasury shares used as consideration, the amount obtained by subtracting the book value of the treasury shares used as consideration from

the amount of other capital surplus of the company splitting in the absorption-type split that change due to the absorption-type company split is the amount of changes in other capital surplus of the company succeeding in the absorption-type split.

- (2) If consideration in an absorption-type restructuring does not exist, when it is appropriate to calculate all or part of the shareholders' equity, etc. of the company splitting in the absorption-type split immediately prior to an absorption-type company split as being carried over, the sum of the amounts of stated capital and capital surplus of the company splitting in the absorption-type split that change due to the absorption-type company split may be taken as the amount of changes in other capital surplus of the company succeeding in the absorption-type split, and the amount of retained earnings of the company splitting in the absorption-type split that change due to the absorption-type company split may be taken as the amount of changes in other retained earnings of the company succeeding in the absorption-type split.
- (3) Regarding changes to the amounts of stated capital, capital surplus or retained earnings of the company splitting in the absorption-type split upon the absorption-type company split in the cases referred to in the preceding two paragraphs, these are to be governed by the provisions of Part II, Chapter V, Section 3, Subsection 2 of the Act and any other provisions of the Act.

Subsection 3 Share Exchange

Article 39 (1) If all or part of the consideration in an absorption-type restructuring is shares or equity interests of a wholly owning parent company resulting from a share exchange, the total amount of changes in shareholders' equity, etc. in the wholly owning parent company resulting from a share exchange (hereinafter referred to as "amount of changes in shareholders' equity, etc." in this Article) is determined according to the methods as provided in the following items in accordance with the categories of cases set forth therein:

- (i) cases where the relevant share exchange is an acquisition of control (excluding cases where the wholly owned subsidiary company resulting from the share exchange acquires control): a method of calculation that takes as its basis the market value of the consideration in an absorption-type restructuring or the market value of the shares of the wholly owned subsidiary company resulting from the share exchange;
- (ii) cases where the wholly owning parent company resulting from the share exchange and the wholly owned subsidiary company resulting from the share exchange are under common control: a method of calculation that takes as its basis the book value of the property of the wholly owned subsidiary company

- resulting from the share exchange immediately prior to the share exchange (when there is a portion that should be calculated according to the method prescribed in preceding item, that method);
- (iii) cases other than those set forth in the preceding two items: a method as prescribed in the preceding item.
- (2) In the cases referred to in the preceding paragraph, the amounts of increase of the stated capital and capital surplus of a wholly owning parent company resulting from a share exchange are to be determined by the wholly owning parent company resulting from the share exchange in accordance with the provisions of the share exchange agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings are not to change; provided, however, that in cases other than those where procedures under the provisions of Article 799 of the Act (including cases where it is applied *mutatis mutandis* pursuant to Article 802, paragraph (2) of the Act following the deemed replacement of terms) are undertaken, the amounts of increase of the stated capital and capital reserves of a wholly owning parent company resulting from a share exchange are each to be amounts that are determined by the wholly owning parent company resulting from a share exchange (if the wholly owning parent company resulting from a share exchange is a membership company, the amount of changes in shareholders' equity, etc.) in accordance with the provisions of the share exchange agreement, within a scope ranging from the amount obtained by multiplying by the share issue rate (meaning the rate obtained by dividing the number of shares issued at the share exchange by the sum of the number of those shares and the number of treasury shares used as consideration) the amount obtained by adding the book value of treasury shares used as consideration to the amount of changes in shareholders' equity, etc. to the amount of changes in shareholders' equity, etc. (if the amount obtained by multiplying by the share issue rate the amount obtained by adding the book value of treasury shares used as consideration to the amount of changes in shareholders' equity, etc. exceeds the amount of changes in shareholders' equity, etc.), and the amounts obtained by subtracting the sum of the increased amounts from the amount of changes in shareholders' equity, etc. are the amount of changes in other capital surplus.
- (3) Notwithstanding the provisions of the preceding paragraph, if the amount of changes in shareholders' equity, etc. is less than zero, within the amount of changes in shareholders' equity, etc., the amount of losses arising from the disposition of treasury shares used as consideration is to be deducted from other capital surplus (if the wholly owning parent company resulting from a share exchange is a membership company, the capital surplus); any remaining

amount is to be deducted from other retained earnings (if the wholly owning parent company resulting from a share exchange is a membership company, the retained earnings); and the amounts of the stated capital, the capital reserves, and the retained earnings reserves are not to change.

Section 5 Disposition of Treasury Shares of a Company Splitting in an Absorption-Type Split, Etc.

(Disposition of Treasury Shares of a Company Splitting in an Absorption-Type Split)

Article 40 (1) If, through an absorption-type company split, a company splitting in the absorption-type split (limited to stock companies) allows the company succeeding in the absorption-type split to succeed to its treasury shares, the amount of other capital surplus of the company splitting in the absorption-type split after the absorption-type company split is the amount obtained by subtracting the amount set forth in item (iii) from the sum of the amounts set forth in item (i) and item (ii):

- (i) the amount of other capital surplus of the company splitting in the absorption-type split immediately prior to the absorption-type company split;
- (ii) among the book values to be entered for the consideration in an absorption-type restructuring whose delivery is received by the company splitting in the absorption-type split, the amount concerning the part which is to become the consideration for the treasury shares referred to in the following item;
- (iii) the book value of the treasury shares succeeded to by the company succeeding in the absorption-type split.

(2) In the cases prescribed in the preceding paragraph, the amount of consideration for treasury shares is the amount set forth in item (ii) of the same paragraph.

(Disposition of Treasury Shares of a Wholly Owned Subsidiary Company Resulting from a Share Exchange)

Article 41 (1) If, upon a share exchange, a wholly owned subsidiary company resulting from the share exchange allows a wholly owning parent company resulting from the share exchange to acquire its treasury shares, the amount of other capital surplus of the wholly owned subsidiary company resulting from the share exchange after the share exchange is the amount obtained by subtracting the amount set forth in item (iii) from the sum of the amounts set forth in item (i) and item (ii):

- (i) the amount of other capital surplus of the wholly owned subsidiary company resulting from the share exchange immediately prior to the share exchange;
- (ii) the book value to be entered as the consideration in an absorption-type

- restructuring whose delivery is received by the wholly owned subsidiary company resulting from the share exchange;
- (iii) the book value of treasury shares acquired by the wholly owning parent company resulting from the share exchange.
- (2) In the cases prescribed in the preceding paragraph, the amount of consideration for treasury shares is the amount set forth in item (ii) of the same paragraph.

(Disposition of Treasury Shares of a Wholly Owned Subsidiary Company Resulting from a Share Transfer)

Article 42 (1) If, upon a share transfer, a wholly owned subsidiary company resulting from the share transfer allows the wholly owning parent company incorporated in the share transfer to acquire its treasury shares, the amount of other capital surplus of the wholly owned subsidiary company resulting from the share transfer after the share transfer is the amount obtained by subtracting the amount set forth in item (iii) from the sum of the amounts set forth in item (i) and item (ii):

- (i) the amount of other capital surplus of the wholly owned subsidiary company resulting from the share transfer immediately prior to share transfer;
- (ii) among the book values to be entered as consideration in a consolidation-type restructuring whose delivery is received by the wholly owned subsidiary company resulting from the share transfer, the amount concerning the part which is to become the consideration for the treasury shares set forth in the following item;
- (iii) the book value of treasury shares acquired by the wholly owning parent company incorporated in the share transfer.
- (2) In the cases prescribed in the preceding paragraph, the amount of consideration for treasury shares is the amount set forth in item (ii) of the same paragraph.

Section 6 Shareholders' Equity and Members' Equity at the Time of Incorporation
Subsection 1 Ordinary Incorporation

(Shareholders' Equity at the Time of Incorporation of a Stock Company)

Article 43 (1) The amount of property paid or delivered to the relevant stock company by a person who is the shareholder prescribed by Article 445, paragraph (1) of the Act concerning the issuance of shares taking place at the time of incorporation of a stock company if a stock company is incorporated through the methods set forth in the items of Article 25, paragraph (1) of the Act is the amount obtained by subtracting the amount set forth in item (iii)

from the sum of the amounts set forth in item (i) and item (ii) (if this is less than zero; zero):

- (i) the amount of monies received as payment pursuant to the provisions of Article 34, paragraph (1) or Article 63, paragraph (1) of the Act (for the monies in the cases set forth respectively in the following (a) or (b), the amount as provided therein):
 - (a) cases where payment has been received of monies in the currency of a foreign country (excluding the cases set forth in (b)): an amount calculated based on the exchange rate of the foreign currency on the date of payment;
 - (b) cases where calculations for the amount to be recorded as the amount of stated capital or capital reserves through the amount of monies received as the payment (including the amount prescribed in (a)) are incorrect: the book value of the monies immediately prior to the payment according to the person who has made the payment;
 - (ii) if the delivery of properties other than monies (hereinafter referred to as "properties contributed in kind" in this Article) has been received pursuant to the provisions of Article 34, paragraph (1) of the Act, the value of the properties contributed in kind on the day of delivery (for properties contributed in kind in the cases set forth in (a) or (b) below, the amount as provided therein):
 - (a) cases where the stock company and the person who has delivered the properties contributed in kind are to come under common control (excluding the cases where a market value is to be entered for the properties contributed in kind): the book value of the properties contributed in kind immediately prior to the delivery according to the person who has delivered them;
 - (b) in cases other than those set forth in (a), when calculations for the amount to be recorded as the amount of stated capital or capital reserves through the value of properties contributed in kind received as the relevant delivery are inappropriate: the book value prescribed in (a);
 - (iii) as the matters set forth in Article 32, paragraph (1), item (iii) of the Act, among the amounts of expenses required at incorporation, the amount which has been determined as the amount to be subtracted from the amount to be recorded as the amount of stated capital or capital reserves at incorporation.
- (2) The amount of other capital surplus of a stock company at the time of incorporation (limited to the methods set forth in the items of Article 25, paragraph (1) of the Act; the same applies hereinafter in this Article) is zero.
 - (3) The amount of retained earnings reserves of a stock company at the time of incorporation is zero.
 - (4) The amount of other retained earnings of a stock company at the time of incorporation is zero (if the amount obtained by subtracting the amount set

forth in item (iii) of paragraph (1) from the sum of the amounts set forth in item (i) and item (ii) of the same paragraph is less than zero, that amount).

(5) With respect to the application of the provisions of paragraph (1), item (ii), the amount determined in the articles of incorporation regarding properties contributed in kind, and the book value of the properties contributed in kind (including the amounts of stated capital and capital reserves concerning the contributions) must not be interpreted as being required to be the same amount.

(Members' Equity in a Membership Company at the Time of Incorporation)

Article 44 (1) The amount of stated capital of a membership company at the time of incorporation (excluding incorporation through consolidation-type mergers or incorporation-type company splits; the same applies hereinafter in this Article) is: within the scope of the amounts obtained by subtracting the amounts set forth in (ii) from the amounts set forth in (i) (if this is less than zero; zero), the amount determined by persons desiring to become members (limited to amounts equal to or greater than zero):

(i) the value of property at the time of contribution that is paid or delivered to the membership company as contributions made at the time of incorporation (hereinafter referred to as "properties contributed" in this Article) (for properties contributed in the cases set forth in (a) or (b) below, the amount as provided therein):

(a) cases where the membership company and the person delivering the relevant properties contributed are to come under common control (excluding the cases where a market value is to be entered for the properties contributed): the book value of the properties contributed immediately prior to the payment or delivery according to the person making the payment or delivery;

(b) in cases other than those set forth in (a), when calculations for the amount to be recorded as the amount of stated capital or capital surplus through the value of properties contributed received as the delivery are inappropriate: the book value prescribed in (a);

(ii) among the amounts of expenses required at incorporation, the amount which has been determined by persons desiring to become members at the time of incorporation as the amount to be subtracted from the amount to be recorded as the amount of stated capital or capital surplus at incorporation.

(2) The amount of capital surplus at the time of incorporation of a membership company is the amount obtained by subtracting the amount set forth in item (ii) from the amount set forth in item (i):

(i) the value of properties contributed;

(ii) the amount of stated capital at the time of incorporation.

- (3) The amount of retained earnings at the time of incorporation of a membership company is zero (if the amount obtained by subtracting the amount set forth in item (ii) of paragraph (1) from the amount set forth in item (i) of the same paragraph is less than zero, that amount).

Subsection 2 Consolidation-Type Merger

(Shareholders' Equity, Etc. in a Company Incorporated in a Consolidation-Type Merger in Cases of Acquisition of Control)

Article 45 (1) If a consolidation-type merger is an acquisition of control, the total amount of shareholders' equity, etc. at the time of incorporation of the company incorporated in the consolidation-type merger is the sum of the amounts as provided in the following items (referred to as "amount of changes in shareholders' equity, etc." in the following paragraph) in accordance with the categories of the portions set forth therein:

- (i) the portion concerning the acquiring company in consolidation-type merger: an amount determined in accordance with a method of calculation taking as its basis the book value of the property of the acquiring company in consolidation-type merger immediately prior to the consolidation-type merger;
 - (ii) the portion concerning the company disappearing in the consolidation-type merger that is not the acquiring company in the consolidation-type merger: an amount determined in accordance with a method of calculation taking as its basis the market value of consideration in a consolidation-type restructuring or the market value of assets subject to consolidation-type restructuring delivered to shareholders, etc. of the company disappearing in the consolidation-type merger.
- (2) In the cases referred to in the preceding paragraph, the amount of stated capital and capital surplus at the time of incorporation of the company incorporated in the consolidation-type merger is determined by the company disappearing in the consolidation-type merger in accordance with the provisions of the consolidation-type merger agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings is zero; provided, however, that if the amount of changes in shareholders' equity, etc. is less than zero, that amount is the amount of other retained earnings at the time of incorporation (if the company incorporated in the consolidation-type merger is a membership company, the retained earnings; the same applies in Article 47, paragraph (2)), and the amounts of stated capital, capital surplus and retained earning reserves are zero.
- (3) Notwithstanding the provisions of the preceding two paragraphs, in the cases set forth in paragraph (1), when all of the consideration in a consolidation-type

restructuring delivered to shareholders, etc. of the acquiring company in consolidation-type merger is shares or equity interests of the company incorporated in the consolidation-type merger, the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in the consolidation-type merger may be taken as the sum of the amounts calculated through mutatis mutandis application of the provisions of the following items in accordance with the categories of the portions set forth therein:

- (i) the portion concerning the acquiring company in the consolidation-type merger: Article 47;
- (ii) the portion concerning the company disappearing in the consolidation-type merger which is not the acquiring company in the consolidation-type merger: paragraph (1) (excluding portions concerning item (i) of the same paragraph) and the preceding paragraph.

(Shareholders' Equity, Etc. in a Company Incorporated in a Consolidation-Type Merger in Cases of Being under Common Control)

Article 46 (1) If all of the companies disappearing in a consolidation-type merger are under common control, the total amount of shareholders' equity, etc. at the time of incorporation of the company incorporated in the consolidation-type merger is the amount determined in accordance with a method of calculation (for portions that rely on the method prescribed in paragraph (1), item (ii) of the preceding Article, that method) taking as its base the book value of assets subject to consolidation-type restructuring immediately prior to the consolidation-type merger.

- (2) In the cases referred to in the preceding paragraph, the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in the consolidation-type merger are the sum of the amounts calculated through mutatis mutandis application of the provisions of the following items in accordance with the categories of the portions set forth therein:
 - (i) the portion concerning a consolidated company succeeding to shareholders' equity: paragraph (1) of the following Article;
 - (ii) the portion concerning a consolidated company not succeeding to shareholders' equity: paragraph (2) of the preceding Article.

(Shareholders' Equity, Etc. in a Company Incorporated in a Consolidation-Type Merger If Shareholders' Equity, Etc. Is Carried Over)

Article 47 (1) In the cases referred to in paragraph (1) of the preceding Article, when all of the consideration in a consolidation-type restructuring is shares or equity interests of the company incorporated in a consolidation-type merger,

and, when it is appropriate to calculate the shareholders' equity, etc. of the companies disappearing in the consolidation-type merger immediately prior to the consolidation-type merger as being carried over, the sum of each of the amounts of stated capital, capital surplus and retained earnings of each of the companies disappearing in the consolidation-type merger immediately prior to the consolidation-type merger may each be taken as the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in a consolidation-type merger; provided, however, that if there are previously acquired shares, etc., the amount obtained by subtracting the book value of the previously acquired shares, etc. from the sum of other capital surplus (if the company incorporated in the consolidation-type merger is a membership company, the capital surplus; hereinafter the same applies in this Article) of each of the companies disappearing in the consolidation-type merger immediately prior to the consolidation-type merger is the amount of other capital surplus at the time of incorporation of the company incorporated in a consolidation-type merger.

- (2) Notwithstanding the provisions of the preceding paragraph, in the cases referred to in the same paragraph, when there is a company consolidated without delivering consideration, the sum of the stated capital and capital surplus of the company consolidated without delivering consideration is deemed to be the amount of other capital surplus of the company consolidated without delivering consideration, the amount of retained earnings of the company consolidated without delivering consideration is deemed to be the amount of other retained earnings of the company consolidated without delivering consideration, and the provisions referred to in the same paragraph apply.

(Shareholders' Equity, Etc. in Companies Incorporated in Consolidation-Type Mergers in Other Cases)

Article 48 In cases other than the cases prescribed in Article 45, paragraph (1) and Article 46, paragraph (1), the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of a company incorporated in a consolidation-type merger are calculated pursuant to the provisions of the same Articles and the preceding Article.

Subsection 3 Incorporation-Type Company Split

(Shareholders' Equity, Etc. in Companies Incorporated in an Incorporation-Type Split in the Case of Company Split by Independent Incorporation)

Article 49 (1) The total amount of shareholders' equity, etc. at the time of incorporation of a company incorporated in an incorporation-type split (except

for a company incorporated in an incorporation-type split in the case that two or more companies effect an incorporation-type company split; the same applies hereinafter in this Article and the following Article) is the amount (referred to as the "amount of changes in shareholders' equity, etc." in the following paragraph) determined in accordance with a method of calculation taking as its base the book value of assets subject to consolidation-type restructuring immediately prior to the incorporation-type company split according to the company splitting in an incorporation-type split (if the market value is to be entered for the assets subject to consolidation-type restructuring, a method of calculation taking as its basis the market value of consideration in a consolidation-type restructuring or the market value of the assets subject to consolidation-type restructuring).

- (2) In the cases referred to in the preceding paragraph, the amount of stated capital and capital surplus of a company incorporated in an incorporation-type split is determined by the company splitting in an incorporation-type split in accordance with the provisions of the plan for the incorporation-type company split, within the scope of the amount of changes in shareholders' equity, etc.; the amount of retained earnings is zero; provided, however, that if the amount of changes in shareholders' equity, etc. is less than zero, the amount of changes in shareholders' equity, etc. is the amount of other retained earnings (if the company incorporated in an incorporation-type split is a membership company, the retained earnings); the amounts of stated capital, capital surplus and retained earning reserves are zero.

(Shareholders' Equity, Etc. in Companies Incorporated Through Incorporation-Type Splits If Shareholders' Equity, Etc. Is Carried Over)

- Article 50 (1) Notwithstanding the provisions of the preceding Article, if all of the consideration in a consolidation-type restructuring of an incorporation-type company split-off is shares or equity interests of the company incorporated in an incorporation-type split, when it is appropriate to calculate all or part of the shareholders' equity, etc. of the company splitting in an incorporation-type split immediately prior to the incorporation-type company split as being carried over, the amounts of stated capital, capital surplus and retained earnings of the company splitting in an incorporation-type split that change due to the incorporation-type company split may each be taken as the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in an incorporation-type split.
- (2) Regarding changes to the amounts of stated capital, capital surplus or retained earnings upon an incorporation-type company split in the company splitting in an incorporation-type split in cases referred to in the preceding paragraph, the governing provisions are Part II, Chapter V, Section 3,

Subsection 2 of the Act and any other provisions of the Act.

(Shareholders' Equity, Etc. in a Company Incorporated in an Incorporation-Type Split in Cases of a Joint Incorporation-Type Company Split)

Article 51 If two or more companies effect an incorporation-type company split, the shareholders' equity or members' equity of the companies incorporated in an incorporation-type split is to be calculated in accordance with what is set forth in the following items:

- (i) provisionally, each company splitting in an incorporation-type split is deemed not to have incorporated a company through an incorporation-type company split jointly with any other company splitting in an incorporation-type split, and the calculations for the company (hereinafter referred to as the "provisional company" in this Article) are then performed;
- (ii) a company incorporated through a consolidation-type merger of the provisional companies is deemed to become a company incorporated in an incorporation-type split, and the calculations for the company incorporated in the incorporation-type split are then performed.

Subsection 4 Share Transfer

Article 52 (1) The total amount of shareholders' equity at the time of incorporation of a wholly owning parent company incorporated in a share transfer is the sum of the amounts set forth in the items below (referred to as "amount of changes in shareholders' equity" in the following paragraph) in accordance with the categories of the portions set forth therein:

- (i) the portion concerning other wholly owned subsidiary companies resulting from the share transfer if the share transfer is an acquisition of control by a wholly owned subsidiary company resulting from the share transfer: an amount determined in accordance with a method of calculation that takes as its base the market value of consideration in a consolidation-type restructuring delivered to shareholders of the relevant other wholly owned subsidiary companies resulting from the share transfer or the market value of the shares of the relevant other wholly owned subsidiary companies resulting from the share transfer;
- (ii) the portion concerning the wholly owned subsidiary companies resulting from the share transfer if all of the wholly owned subsidiary companies resulting from the share transfer are under common control: an amount determined in accordance with a method of calculation taking as its base the book value of the property of the wholly owned subsidiary companies resulting from the share transfer (when there is a portion that should be calculated according to the method prescribed in preceding item, that

- method);
- (iii) portions other than portions set forth in the preceding two items: an amount determined in accordance with a method as prescribed in the preceding item.
- (2) In the cases referred to in the preceding paragraph, the amount of stated capital and capital surplus at the time of incorporation of the wholly owning parent company incorporated in the share transfer are each to be determined by the wholly owned subsidiary company resulting from the share transfer in accordance with the provisions of the share transfer plan, within the scope of the amount of changes in shareholders' equity, and the amount of retained earnings is zero; provided, however, that if the amount of changes in shareholders' equity is less than zero, that amount is the amount of other capital surplus at the time of incorporation, and the amounts of stated capital, capital surplus, and retained earnings reserves are zero.

Section 7 Valuation and Translation Differences or Other Comprehensive Accumulated Income

(Valuation and Translation Differences or Other Comprehensive Accumulated Income)

Article 53 Even if any other assets, liabilities or items that are set forth below are not shareholders' equity or members' equity, those for which the recording as an entry in the section on net assets is found to be appropriate can be recorded as net assets:

- (i) the valuation difference (excluding valuation differences included in the calculation of profits or losses and the valuation differences set forth in the following item and item (iii)) of the relevant assets or liabilities if a market value is to be entered with respect to assets or liabilities (including net assets or liabilities that arise through derivative transactions; the same applies hereinafter in this Article);
- (ii) profit and loss or valuation differences concerning hedging instruments if hedge accounting is applied;
- (iii) the revaluation difference prescribed in Article 7, paragraph (1) of the Act on Revaluation of Land (Act No. 34 of 1998).

(Special Provisions on Organization Restructuring Actions Where a Company Recording a Land Revaluation Difference Is a Party)

Article 54 (1) In an absorption-type merger or absorption-type company split, or in a consolidation-type merger or incorporation-type company split (hereinafter referred to as "merger or company split" in this paragraph), if land for which the recorded revaluation difference set forth in item (iii) of the preceding

Article is included in the assets subject to absorption-type restructuring or the assets subject to consolidation-type restructuring (hereinafter referred to as the "subject assets" in this paragraph), when the book value to be entered with regard to the subject assets by the company surviving absorption-type merger, company succeeding in the absorption-type split, company incorporated in an consolidation-type merger or company incorporated in an incorporation-type split is to be the book value immediately prior to the merger or company split, the book value before revaluation under the provisions of the Act on Revaluation of Land concerning the relevant land is deemed to be the book value of the relevant land, and the provisions on calculation of shareholders' equity, etc. concerning the merger or company split apply.

(2) If, in a share exchange or share transfer (hereinafter referred to as the "exchange or transfer" in this paragraph), land for which the recorded revaluation difference set forth in item (iii) of the preceding Article is included in the assets of the relevant wholly owned subsidiary company resulting from the share exchange or wholly owned subsidiary company resulting from the share transfer (hereinafter referred to as the "wholly owned subsidiary company formed in exchange or transfer" in this paragraph), when the book value to be entered by the wholly owning parent company resulting from a share exchange or the wholly owning parent company incorporated in the share transfer with respect to the shares of the wholly owned subsidiary company formed in exchange or transfer is to be calculated with the amount obtained by subtracting the book value concerning liabilities (including obligations concerning share options) from the book value concerning the assets of the wholly owned subsidiary company formed in exchange or transfer (including its own share options) on the day on which the book value of the property of the wholly owned subsidiary company formed in exchange or transfer that is to be the basis for calculations is to be evaluated, the book value before revaluation under the provisions of the Act on Revaluation of Land concerning the relevant land is deemed to be the book value of the relevant land, and the provisions on calculation of shareholders' equity, etc. concerning the exchange or transfer apply.

(3) If, in a business transfer or acceptance or delivery of shares or equity interests in exchange for assets other than monies (hereinafter referred to as "contributions in kind, etc." in this paragraph), land included in the calculation of the revaluation difference set forth in item (iii) of the preceding Article is included in the assets that are the subject of a contribution in kind, etc. (hereinafter referred to as "subject assets" in this paragraph), when the book value to be entered with regard to the subject assets by the person acquiring the subject assets is to be the book value of the contribution in kind, etc. immediately prior thereto, the book value before revaluation under the

provisions of the Act on Revaluation of Land concerning the relevant land is deemed to be the book value of the relevant land, and the provisions on calculation of shareholders' equity, etc. concerning the contribution in kind, etc. apply.

Section 8 Share Options

Article 55 (1) If a stock company issues share options, the amount of monies paid in exchange for the share options, the amount of the delivery of property other than monies, or the amount set-off against claims against the stock company, and any other appropriate prices are the amount by which share options are to be increased.

(2) The phrase "cases where a stock company issues share options" prescribed in the preceding paragraph means where share options are issued in the cases set forth below:

(i) cases where subscribers for share options for subscription are solicited pursuant to the provisions of Part II, Chapter III, Section 2 of the Act;

(ii) cases where shares with put options (limited to those for which there are provisions with regard to the matters set forth in Article 107, paragraph (2), item (ii), (c) or (d) of the Act) are acquired;

(iii) cases where shares subject to call (limited to those for which there are provisions with regard to the matters set forth in Article 107, paragraph (2), item (iii), (e) or (f) of the Act) are acquired;

(iv) cases where shares subject to class-wide call (limited to the shares subject to class-wide call if provisions have been made with regard to the matters set forth in Article 171, paragraph (1), item (i), (c) or (d) at the acquisition of the shares subject to class-wide call) are acquired;

(v) cases where an allotment of share options without contribution is made;

(vi) cases where share options subject to call (limited to those for which there are provisions with regard to the matters set forth in Article 236, paragraph (1), item (vii), (f) or (g) of the Act) are acquired;

(vii) cases where the stock company survives an absorption-type merger;

(viii) cases where another company succeeds to all or part of the rights and obligations related to that business through an absorption-type company split;

(ix) cases where all of the issued shares of another stock company are acquired through a share exchange.

(3) If a stock company incorporated through a consolidation-type merger, incorporation-type company split or share transfer issues share options at incorporation, the proper price of the share options is the amount of share options at the time of incorporation.

- (4) In the cases set forth respectively in the following items, the amounts as provided therein are the amounts by which share options are to be reduced:
- (i) cases where a stock company cancels its own share options: the book value of share options equivalent to its own share options;
 - (ii) cases where share options have been exercised or have expired: the book value of the share options.
- (5) If a stock company acquires share options in the stock company, the value of that acquisition is the amount by which its own share options are to be increased.
- (6) With respect to a stock company's own share options set forth respectively in the following items (limited to those acquired at a value exceeding the book value of the relevant share options), the price as provided therein must be entered:
- (i) its own share options whose market value on the last day of the business year is significantly lower than the cost at acquisition (excluding those set forth in the following item): whichever of the amounts set forth in (a) or (b) is the highest:
 - (a) the market value on the last day of the business year;
 - (b) the book value of share options equivalent to its own share options;
 - (ii) its own share options found not to be disposed of: the book value of share options equivalent to its own share options.
- (7) If a stock company disposes of or cancels its own share options, or if its own share options have expired, the book value is the amount by which its own share options are to be reduced.
- (8) The provisions of paragraph (1) and paragraph (3) through the preceding paragraph apply *mutatis mutandis* to share delivery claims (meaning rights other than share options to receive delivery of shares of the relevant stock company through exercising against the relevant stock company; the same applies hereinafter in this Article).
- (9) With respect to the application of the provisions of Article 14, paragraph (1) when shares issued or treasury shares disposed of at solicitation of subscribers for shares for subscription are shares issued or treasury shares disposed of through the exercising of share delivery claims, the phrase "sum of the amounts set forth in item (i) and item (ii)" in that paragraph is to read "the sum of the book value at the time of the exercising of the share delivery claims prescribed in Article 55, paragraph (8), and the sum of the amounts set forth in item (i) and item (ii)".

Chapter IV Special Provisions on Calculations Concerning Acts Based on Reorganization Plans

Article 56 (1) Matters related to goodwill, net assets and other accounts to be recorded by a reorganizing company (meaning a reorganizing company as prescribed in Article 2, paragraph (7) of the corporate reorganization Act; hereinafter the same applies in this paragraph and paragraph (3)) with regard to acts carried out based on a reorganization plan (meaning a reorganization plan as prescribed in Article 2, paragraph (2) of the same Act; hereinafter the same applies in this paragraph) by the reorganizing company are to be governed by the provisions of the reorganization plan, notwithstanding the provisions of this Ministerial Order.

(2) If it is determined in a reorganization plan (meaning a reorganization plan as prescribed in Article 2, paragraph (2) of the Corporate Reorganization Act and Article 4, paragraph (2) and Article 169, paragraph (2) of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions (Act No. 95 of 1996); hereinafter referred to as the "Act on Special Measures for the Reorganizations" in this Article); the same applies hereinafter in this Article) that a stock company will be incorporated (excluding cases where it is determined that a stock company will be incorporated through a consolidation-type merger, incorporation-type company split or share transfer), matters related to goodwill, net assets and other accounts at the time of incorporation of the stock company are to be governed by the provisions of the reorganization plan, notwithstanding the provisions of this Ministerial Order.

(3) If, in the reorganization plan, a company (excluding a reorganizing company) has allotted monies, etc. to be delivered to the reorganization obligees, etc. (meaning the reorganization obligees, etc. as prescribed in Article 2, paragraph (13) of the Corporate Reorganization Act together with Article 4, paragraph (13) and Article 169, paragraph (13) of the Act on Special Measures for the Reorganizations; the same applies hereinafter in this Article) of the reorganizing company, etc. (meaning the reorganizing company, the reorganizing cooperative financial institution as prescribed in Article 4, paragraph (7) of the Act on Special Measures for the Reorganizations, and the reorganizing company as prescribed in Article 169, paragraph (7) of the Act on Special Measures for the Reorganizations; the same applies in the following paragraph) upon an absorption-type merger or share exchange, the value of the monies, etc. delivered to the reorganization obligees, etc. is also to be considered to be the consideration in an absorption-type restructuring concerning the absorption-type merger or share exchange.

(4) In the reorganization plan, if a company incorporated through a consolidation-type merger or share transfer has allotted shares, equity interests or bonds, etc. to be delivered to the reorganization obligees, etc. of the reorganizing company, etc. upon a consolidation-type merger or share transfer, the price of the shares, equity interests or bonds, etc. delivered to the

reorganization obligees, etc. is also to be considered to be the consideration in a consolidation-type restructuring concerning the consolidation-type merger or share transfer.

Part III Accounting Documents

Chapter I General Provisions

Section 1 Principles of Presentation

- Article 57 (1) The amounts of matters concerning the accounting documents are to be presented in units of 1 yen, 1,000 yen, or 1,000,000 yen.
- (2) Accounting documents are to be presented in Japanese; provided, however, that this does not apply if presentation of such documents in another language is not unreasonable.
- (3) With regard to the preparation of accounting documents (excluding detailed statements attached to financial statements for each business year), all of the constituent items in the balance sheet, profit and loss statement and any other accounting documents must not be interpreted as being required to be prepared as one document or other single material.

Section 2 Stock Company Financial Statements

(Balance Sheet on the Day of Formation)

Article 58 The balance sheet to be prepared pursuant to the provisions of Article 435, paragraph (1) of the Act must be prepared based on the accounting books of the stock company on the day of its formation.

(Financial Statements for Each Business Year)

- Article 59 (1) What is prescribed by Ministry of Justice Order, as mentioned in Article 435, paragraph (2) of the Act, is the statements of changes in shareholders' equity, etc. and tables of explanatory notes on unconsolidated financial statements prepared in accordance with the provisions of this Part.
- (2) The period concerning the preparation of financial statements for each business year and attached detailed statements thereof is the period from the day following the last day of the business year prior to the relevant business year (if there was no business year prior to the relevant business year, the day of formation) to the last day of the relevant business year. In such cases, that period may not exceed one year (with regard to the first business year after changes are made, if the last day of the business year is changed, one year and six months).
- (3) Financial statements for each business year and attached detailed statements thereof that are to be prepared pursuant to the provisions of Article 435,

paragraph (2) of the Act must be prepared based on the accounting books concerning the relevant business year.

(Provisional Financial Statements)

Article 60 (1) The period concerning the preparation of provisional financial statements (referred to as the "provisional fiscal year" in the following paragraph) is the period from the day following the last day of the business year prior to the relevant business year (if there was no business year prior to the relevant business year, the day of formation) to the provisional account closing day.

(2) Provisional financial statements must be prepared based on the accounting books concerning the provisional fiscal year.

(3) If a stock company intends to prepare provisional financial statements, when there is no most recent business year with respect to the stock company, within the period from the day of formation of the stock company to the day on which the first business year is concluded, a fixed day within that first business year may be deemed to be the provisional account closing day, and the provisions of Article 441 of the Act may be applied.

Section 3 Stock Company Consolidated Financial Statements

(Consolidated Financial Statements)

Article 61 What is prescribed by Ministry of Justice Order, as mentioned in Article 444, paragraph (1) of the Act, is any of the statements set forth below:

(i) the statements set forth in (a) through (d) to be prepared in accordance with the provisions of this Part (excluding Articles 120 through 120-3):

(a) consolidated balance sheets;

(b) consolidated profit and loss statements;

(c) consolidated statements of changes in shareholders' equity, etc.;

(d) tables of explanatory notes on consolidated financial statements;

(ii) statements to be prepared in accordance with the provisions of Article 120;

(iii) statements to be prepared in accordance with the provisions of Article 120-2.

(iv) statements to be prepared in accordance with the provisions of Article 120-3.

(Consolidated Fiscal Year)

Article 62 The period concerning the preparation of consolidated financial statements for each business year (hereinafter referred to as a "consolidated fiscal year" in this Part) is the period from the day following the last day of the business year prior to the relevant business year (if there was no business year

prior to the relevant business year, the day of formation) to the last day of the relevant business year.

(Scope of Consolidation)

Article 63 (1) A stock company must include all of its subsidiary companies in the scope of a consolidation; provided, however, that any subsidiary companies falling under any of the following categories are not to be included in the scope of a consolidation:

- (i) subsidiary companies that are found to be in temporary control of a body that decides financial and business policies (meaning a shareholders meeting or a body equivalent thereto);
- (ii) subsidiary companies for which it is found that inclusion in the scope of a consolidation would carry the risk causing the interested parties of the relevant stock company to reach a seriously mistaken valuation.

(2) Among subsidiary companies to be included in the scope of a consolidation pursuant to the provisions of the preceding paragraph, judging by their assets and net sales (including service revenues; the same applies hereinafter), etc., those which are of such low importance that their exemption from the scope of a consolidation would not preclude a reasonable valuation of the corporate group's assets and profits and losses, may be exempted from the scope of the consolidation.

(Subsidiary Companies with Different Periods as Their Business Years)

Article 64 (1) On the last day of the stock company's business year, a consolidated subsidiary company for which the last day of the business year is different from the last day of the stock company's business year must perform settlements of accounts which are necessary for the preparation of financial statements that are to be the basis for preparation of consolidated financial statements; provided, however, that this does not apply if the difference between the last day of the business year of the consolidated subsidiary company and the last day of the business year of the stock company does not exceed three months, when consolidated financial statements are prepared taking as their basis financial statements for the business year of the consolidated subsidiary company.

(2) If consolidated financial statements are prepared pursuant to the provisions of the proviso to the preceding paragraph, with respect to serious disagreements in accounting records concerning transactions between mutually consolidated companies arising due to a difference between the last day of the business year of a consolidated subsidiary company and the last day of the business year of the relevant stock company, adjustment must be carried out.

(Consolidated Balance Sheets)

Article 65 Consolidated balance sheets must be prepared taking as their basis the amounts of assets, liabilities and net assets in the balance sheets of consolidated companies concerning a period corresponding to the stock company's consolidated fiscal year (if a settlement of accounts is performed by a consolidated subsidiary company under the provisions of the main clause of paragraph (1) of the preceding Article, the balance sheet concerning the settlement of accounts with regard to the balance sheet of the relevant consolidated subsidiary company). In such case, the amounts of assets, liabilities and net assets recorded in the balance sheets of the consolidated companies may be recorded in the appropriate entries in the consolidated balance sheet.

(Consolidated Profit and Loss Statements)

Article 66 Consolidated profit and loss statements must be prepared taking as their basis the amounts of revenue or expenses or profits or losses in the profit and loss statements of consolidated companies concerning a period corresponding to the stock company's consolidated fiscal year (if a settlement of accounts is performed by a consolidated subsidiary company under the provisions of the main clause of Article 64, paragraph (1), the profit and loss statement concerning the settlement of accounts with regard to profit and loss statements of the relevant consolidated subsidiary company). In such cases, the amounts of revenue or expenses or profits or losses recorded in the profit and loss statements of consolidated companies may be recorded in the appropriate entries of the consolidated profit and loss statement.

(Consolidated Statements of Changes in Shareholders' Equity, Etc.)

Article 67 Consolidated statements of changes in shareholders' equity,, etc. must be prepared taking as their basis the shareholders' equity, etc. (meaning the shareholders' equity and any other net assets of a company, etc.; the same applies hereinafter in this Article) in the statements of changes in shareholders' equity, etc. of consolidated companies concerning a period corresponding to the stock company's consolidated fiscal year (if a settlement of accounts is performed by a consolidated subsidiary company under the provisions of the main clause of Article 64, paragraph (1), the statements of changes in shareholders' equity, etc. concerning the settlement of accounts with regard to statements of changes in shareholders' equity, etc. of the relevant consolidated subsidiary company). In such cases, amounts concerning the shareholders' equity, etc. presented in the statements of changes in shareholders' equity, etc. of consolidated companies may be recorded in the appropriate entries of the consolidated statements of changes in shareholders'

equity, etc.

(Valuation, Etc. of Assets and Liabilities of a Consolidated Subsidiary Company)

Article 68 On preparation of consolidated financial statements, the valuation of a consolidated subsidiary company's assets and liabilities as well as the stock company's investment in the consolidated subsidiary company must be offset by the capital of the consolidated subsidiary company that corresponds thereto, and any other entries mutual to consolidated companies must be offset as necessary.

(Application of Means of Adjusting Equity)

Article 69 (1) With regard to investments in unconsolidated subsidiary companies and affiliated companies, values calculated through the means of adjusting equity must be recorded in the consolidated balance sheet; provided, however, that with regard to investments in unconsolidated subsidiary companies and affiliated companies which fall under any of the following categories, the means of adjusting equity is not to be applied:

- (i) affiliated companies that are found to have a temporary effect on the decisions of financial or business policies;
- (ii) unconsolidated subsidiary companies and affiliated companies for which it is found that application of the means of adjusting equity would carry the risk causing the interested parties of the stock company to reach a seriously mistaken valuation.

(2) Among unconsolidated subsidiaries and affiliated companies to which the means of adjusting equity is to apply pursuant to the provisions of the preceding paragraph, judging by their profits and losses, etc., those which, would not have any material impact on the consolidated financial statements were they to be exempted from application of the means of adjusting equity may be exempted from the application of the means of adjusting equity.

Section 4 Membership Company Financial Statements

(Balance Sheet of the Day of Formation)

Article 70 The balance sheet to be prepared pursuant to the provisions of Article 617, paragraph (1) of the Act must be prepared based on the accounting books of the membership company on the day of its formation.

(Financial Statements for Each Business Year)

Article 71 (1) What is prescribed by Ministry of Justice Order, as mentioned in Article 617, paragraph (2) of the Act, are those statements which are provided

in the following items in accordance with the categories of membership company set forth therein:

- (i) general partnership companies and limited partnership companies: profit and loss statements, statements of changes in members' equity or tables of explanatory notes on unconsolidated financial statements prepared in accordance with the provisions of this Part if the relevant general partnership company and limited partnership company has determined that all or part of its profit and loss statements, statements of changes of members' equity or tables of explanatory notes on unconsolidated financial statements are to be prepared in accordance with the provisions of this Part;
 - (ii) limited liability companies: profit and loss statements, statements of changes in members' equity and tables of explanatory notes on unconsolidated financial statements prepared in accordance with the provisions of this Part.
- (2) The period concerning the preparation of financial statements for each business year is the period from the day following the last day of the business year prior to the relevant business year (if there was no business year prior to the relevant business year, the day of formation) to the last day of the relevant business year. In such cases, that period may not exceed one year (with regard to the first business year after changes are made if the last day of the business year is changed, one year and six months).
- (3) Financial statements for each business year that are to be prepared pursuant to the provisions of Article 617, paragraph (2) of the Act must be prepared based on the accounting books concerning the relevant business year.

Chapter II Balance Sheets

(General Rules)

Article 72 Balance sheets, etc. (meaning balance sheets and consolidated balance sheets; the same applies hereinafter in this Part) are to be governed by this Chapter.

(Categories in the Balance Sheet)

Article 73 (1) Balance sheets, etc. must be classified into and presented under the sections set forth below:

- (i) assets;
 - (ii) liabilities;
 - (iii) net assets.
- (2) Each entry in the section on assets and the section on liabilities must have an appropriate title given to it which indicates the asset or liability concerning the entry.

- (3) If a consolidated company is undertaking two or more different types of business, the sections on assets and the sections on liabilities in its consolidated balance sheet may be categorized according to the type of business it is engaged in.

(Categories in the Section on Assets)

Article 74 (1) The section on assets must be classified under the following entries; in such cases, each entry (excluding the entry set forth in item (ii)) must be subdivided into appropriate entries:

- (i) current assets;
- (ii) fixed assets;
- (iii) deferred assets.

(2) The entries concerning fixed assets must be classified under the following entries; in such cases, each entry must be subdivided into appropriate entries:

- (i) tangible fixed assets;
- (ii) intangible fixed assets;
- (iii) investments and other assets.

(3) The assets set forth respectively in the following items are to belong to the categories as provided therein:

- (i) assets set forth below: current assets:
 - (a) cash and deposits (excluding deposits whose deadline will not arrive within one year);
 - (b) bills receivable (meaning bill claims (excluding bankruptcy or reorganization claims, etc. (meaning bankruptcy claims, rehabilitation claims, reorganization claims and any other equivalent claims; the same applies hereinafter in this item) for which it is clear that payment may not be received within one year) arising out of ordinary transactions (meaning transactions that arise routinely or cyclically in short periods through the operating activities the relevant company carries out in pursuit of its business; the same applies hereinafter in this Chapter));
 - (c) accounts receivable (meaning business accounts receivable (excluding the relevant accounts receivable if claims concerning the accounts receivable which are bankruptcy or reorganization claims, etc. for which it is clear that payment may not be received within one year) arising out of ordinary transactions);
 - (d) among lease claims in a finance lease under which ownership is transferred, those which arise out of ordinary transactions (excluding those which are bankruptcy or reorganization claims, etc. for which it is clear that collection will not be received within one year) and those which arise out of transactions that are not ordinary transactions and whose deadline will arrive within one year;

- (e) among lease investment assets in a finance lease under which ownership is not transferred, those which arise out of ordinary transactions (excluding those which are bankruptcy or reorganization claims, etc. for which it is clear that collection will not be received within one year) and those which arise out of transactions that are not ordinary transactions and whose deadline will arrive within one year;
- (f) trading securities and securities that will reach maturity within one year;
- (g) commodities (including land, buildings or other real property owned for the purposes of sale);
- (h) manufactured goods, by-products and waste;
- (i) semi-finished goods (including self-made components);
- (j) raw ingredients and materials (including purchased components);
- (k) goods in process and partly-finished work;
- (l) consumable goods, consumable tools, utensils and equipment, and any other inventory goods above a considerable value;
- (m) advances (meaning advances (excluding the advances if claims concerning the advances are bankruptcy or reorganization claims, etc. for which it is clear that payment may not be received within one year) for the purpose of the purchase of commodities and raw materials (including equivalents thereof);
- (n) expenses paid in advance that are to become expenses within one year;
- (o) uncollected income;
- (p) other assets for which it is found that they may be realized within one year;
- (ii) assets set forth below (provided, however, that with respect to the assets set forth in (a) through (h), limited to those which will be used for business operations): tangible fixed assets:
 - (a) buildings and accessory equipment for heating, illumination, ventilation, etc.;
 - (b) structures (meaning docks, bridges, quays, piers, tramways, reservoirs, tunnels, chimneys and any other civil engineering equipment or constructions fixed in the ground);
 - (c) machinery and apparatuses as well as equipment for moving hoists, conveyors, cranes, etc. and the accessory components thereof;
 - (d) ships and vessels and water transportation equipment;
 - (e) railway vehicles, automobiles and any other surface transportation equipment;
 - (f) tools, utensils and fixtures (limited to those with a useful life of one year or more);
 - (g) land;
 - (h) leased assets (limited to those for which the relevant company is the

- lessee of the leased object under a finance lease, if the leased object is one of those set forth in (a) through (g), and (j));
- (i) construction in progress (meaning expenditures arising if those assets set forth in (a) through (g) which are to be used for business operations are constructed, and raw materials are appropriated for the purposes of the construction);
 - (j) any other tangible assets which should belong to the tangible fixed assets;
- (iii) assets set forth below: intangible fixed assets:
- (a) patent rights;
 - (b) land lease rights (including superficies rights);
 - (c) trademark rights;
 - (d) utility model rights;
 - (e) design rights;
 - (f) mining rights;
 - (g) fishing rights (including common of piscary);
 - (h) software;
 - (i) goodwill;
 - (j) leased assets (limited to those for which the relevant company is the lessee of the leased object under a finance lease, if the leased object is one of those set forth in (a) through (h), and (k));
 - (k) any other intangible assets which should belong to the intangible fixed assets;
- (iv) assets set forth below: investments and other assets:
- (a) shares of an associated company (excluding shares that fall under the category of trading securities; the same applies hereinafter), and any other securities not belonging to the current assets;
 - (b) contributions to capital;
 - (c) long-term loans;
 - (d) prepaid pension costs (in a consolidated balance sheet, the net defined benefit asset);
 - (e) deferred tax assets;
 - (f) among lease claims in a finance lease under which ownership is transferred, those which are not set forth in item (i), (d);
 - (g) among lease investment assets in a finance lease under which ownership is not transferred, those which are not set forth in item (i), (e);
 - (h) other assets which are to belong to the investments and other assets;
 - (i) other assets that are not to belong to the current assets, tangible fixed assets, intangible fixed assets or deferred tax assets;
- (v) assets for which the recording as deferred assets is found to be appropriate: deferred assets.
- (4) The term "within one year" prescribed in the preceding paragraph means a

day within one year commencing from the day as provided in the following items in accordance with the categories of balance sheets, etc. set forth therein (the same applies hereinafter in this Part):

- (i) the balance sheet on the day of formation: the day of formation of the company;
- (ii) the balance sheet for a business year: the day following the last day of the business year;
- (iii) balance sheets for provisional financial statements: the day following the provisional account closing day;
- (iv) consolidated balance sheets: the day following the last day of the consolidated fiscal year.

(Categories in the Section on Liabilities)

Article 75 (1) The section on liabilities must be classified under the following entries; in such cases, each entry must be subdivided into appropriate entries:

- (i) current liabilities;
- (ii) fixed liabilities.

(2) The liabilities set forth respectively in the following items are to belong to the categories as provided therein:

- (i) liabilities set forth below: current liabilities:
 - (a) bills payable (meaning obligations on negotiable instruments arising from ordinary transactions);
 - (b) accounts payable (meaning business payables arising out of ordinary transactions);
 - (c) advances received (meaning advances for work orders received, goods orders received, etc.);
 - (d) allowances (excluding those concerning assets, and those which it is found will not be exercised within one year);
 - (e) payables or deposits received arising in association with ordinary transactions that as regular trading practices will be paid within a short period after arising;
 - (f) accrued expenses;
 - (g) deferred revenue;
 - (h) among lease obligations in finance leases, those for which the deadline will arrive within one year;
 - (i) among asset removal obligations, those for which it is found that they will be performed within one year;
 - (j) other liabilities for which it is found that they will be paid or repaid within one year;
- (ii) liabilities set forth below: fixed liabilities:
 - (a) bonds;

- (b) long-term borrowings;
- (c) allowances (excluding those concerning assets, those set forth in (d) of the preceding item, and the allowances for retirement benefits set forth in (d));
- (d) allowances for retirement benefits (in a consolidated balance sheet, the net defined benefit liability);
- (e) deferred tax liabilities;
- (f) goodwill;
- (g) among lease obligations in finance leases, those which are not set forth in (i) of the preceding item;
- (h) among asset removal obligations, those which are not set forth in (j) of the preceding item;
- (i) other liabilities that do not belong to the current liabilities.

(Categories in the Section on Net Assets)

Article 76 (1) The section on net assets must be classified as provided in the following items in accordance with the categories of balance sheets, etc. set forth therein:

- (i) the balance sheet of a stock company: the entries set forth below:
 - (a) shareholders' equity;
 - (b) valuation and translation differences;
 - (c) share options;
 - (ii) the consolidated balance sheet of a stock company: the entries set forth below:
 - (a) shareholders' equity;
 - (b) any of the entries set forth below:
 - 1. valuation and translation differences;
 - 2. other comprehensive accumulated income;
 - (c) share options;
 - (d) non-controlling interests;
 - (iii) the balance sheet of a membership company: the entries set forth below:
 - (a) members' equity;
 - (b) valuation and translation differences.
- (2) The entries concerning shareholders' equity must be classified under the following entries. In such cases, the entry set forth in item (v) is a deduction:
- (i) stated capital;
 - (ii) deposits for subscriptions to shares;
 - (iii) capital surplus;
 - (iv) retained earnings;
 - (v) treasury shares;
 - (vi) deposits for subscriptions to treasury shares.
- (3) The entries concerning member equity must be categorized into the following

entries:

- (i) stated capital;
 - (ii) deposits for capital subscriptions;
 - (iii) capital surplus;
 - (iv) retained earnings.
- (4) The entries concerning the capital surplus in the balance sheet of a stock company must be categorized into the following entries:
- (i) capital reserves;
 - (ii) other capital surplus.
- (5) The entries concerning retained earnings in the balance sheet of a stock company must be categorized into the following entries:
- (i) retained earnings reserves;
 - (ii) other retained earnings.
- (6) The entries set forth in paragraph (4), item (i) and item (ii) of the preceding paragraph may be subdivided into entries with appropriate titles.
- (7) The entries concerning valuation and translation differences or other comprehensive accumulated income must be subdivided into the entries set forth below, or into any other entries with appropriate titles; provided, however, that the entries set forth in items (iv) and (v) are limited to consolidated balance sheets:
- (i) other securities valuation difference;
 - (ii) deferred gains or losses on hedges;
 - (iii) land revaluation differences;
 - (iv) exchange conversion adjustment accounts;
 - (v) remeasurements of defined benefit plans.
- (8) The entries concerning share options may be categorized as deductions from the entries concerning its own share options.
- (9) In the consolidated balance sheet, matters to be included in the calculation of the matters set forth in each of the following items are as provided therein:
- (i) the treasury shares set forth in paragraph (2), item (v): the sum of the amounts set forth below:
 - (a) the book value of shares in the relevant stock company held by the stock company;
 - (b) among the book values of shares in the relevant stock company held by consolidated subsidiaries as well as unconsolidated subsidiary companies and affiliated companies applying the means of adjusting equity, an amount corresponding to the equity interests of those companies held by the stock company;
 - (ii) the exchange conversion adjustment accounts set forth in paragraph (7), item (iv): conversion differences arising due to a difference between the exchange rate used in conversions of assets or liabilities of subsidiary

companies or affiliated companies in foreign countries, and the exchange rate used in conversions of net assets;

- (iii) the remeasurements of defined benefit plans set forth in paragraph (7), item (v): the sum of the amounts of the entries set forth below:
 - (a) unrecognized actuarial differences;
 - (b) unrecognized past service cost;
 - (c) other entries of which amounts are found appropriate to be recorded in the remeasurements of defined benefit plans.

(Presentation of Inventories and Allowances for Construction Losses)

Article 77 If there are inventories and allowances for construction losses concerning the same construction contract, the amount of difference set off by both entries may be presented as inventories or allowances for construction losses in the current assets or current liabilities.

(Presentation of Allowances for Bad Debts)

Article 78 (1) In addition to cases under the provisions of the following paragraph, allowances concerning each asset must be shown as deductions in the entries for each relevant asset, in entries with titles that present the intended purpose of allowances for bad debts and any other allowances; provided, however, that this does not preclude these deductions for assets in accordance with the categories of current assets, tangible fixed assets, intangible fixed assets, investments and other assets, or deferred assets, from being presented as deductions collectively.

- (2) Allowances concerning each asset may be directly deducted from the amount of each relevant asset, and any balance remaining after deduction may then be presented as the amount of each relevant asset.

(Presentation of the Accumulated Depreciation of Tangible Fixed Assets)

Article 79 (1) In addition to cases under the provisions of the following paragraph, the accumulated depreciation of each tangible fixed asset must be presented as deductions in the entries for each relevant tangible fixed asset, in entries for accumulated depreciation; provided, however, that this does not preclude these deductions for tangible fixed assets from being presented as deductions collectively.

- (2) The accumulated depreciation of each tangible fixed asset may be directly deducted from the amount of each relevant tangible fixed asset, and any balance remaining after deduction may then be presented as the amount of each relevant tangible fixed asset.

(Presentation of Accumulated Impairment Loss on Tangible Fixed Assets)

- Article 80 (1) The accumulated impairment loss on each tangible fixed asset must, in addition to cases under the provisions of the following paragraph and paragraph (3), be directly deducted from the amount of each relevant tangible fixed asset (when deducting the accumulated depreciation of a tangible fixed asset pursuant to the provisions of paragraph (2) of the preceding Article, the amount after the deduction), and any balance remaining after deduction must then be presented as the amount of each relevant tangible fixed asset.
- (2) The accumulated impairment loss on each tangible fixed asset undergoing depreciation may be presented as a deduction in the entry for each such tangible fixed asset under accumulated impairment loss; provided, however, that this does not preclude these deductions for tangible fixed assets from being presented as deductions collectively.
- (3) If accumulated depreciation and accumulated impairment loss are presented as deductions pursuant to the provisions of paragraph (1) of the preceding Article, and the preceding paragraph, the accumulated depreciation and accumulated impairment loss may be combined and presented in entries for accumulated depreciation.

(Presentation of Intangible Fixed Assets)

Article 81 The accumulated depreciation and accumulated impairment loss of each intangible fixed asset must be directly deducted from the amount of each intangible fixed asset, and any amount remaining after deduction must be presented as the amount of each intangible fixed asset.

(Presentation of Shares of Associated Companies)

- Article 82 (1) Shares or capital contributions in associated companies must be presented separately in entries for shares in associated companies or contributions to capital in associated companies.
- (2) The provisions of the preceding paragraph do not apply to consolidated balance sheets or balance sheets of member companies.

(Presentation of Deferred Tax Assets)

- Article 83 (1) With regard to amounts of deferred tax assets and deferred tax liabilities, only the difference can be presented in investments and other assets or fixed liabilities as deferred tax assets or deferred tax liabilities.
- (2) With regard to the application of the provisions of the preceding paragraph concerning consolidated balance sheets, the phrase "the difference" in the same paragraph means "the difference, except for matters concerning different taxable entities".

(Presentation of Deferred Assets)

Article 84 The accumulated depreciation of each deferred asset must be directly deducted from the amount of each relevant deferred asset, and any amount remaining after deduction must be presented as the amount of each deferred asset.

(Goodwill in Consolidated Balance Sheets)

Article 85 Goodwill presented in consolidated balance sheets is to include goodwill that arises if there is a difference between the amount of investment concerning a consolidated subsidiary company and the equivalent amount of capital in consolidated subsidiary company.

(Presentation of Share Options)

Article 86 The amount of a stock company's own share options must be directly deducted from the amount of share options, and any balance remaining after deduction must be presented as the amount of share options; provided, however, that this does not preclude the presentation of its own share options as deductions.

Chapter III Profit and Loss Statements

(General Rules)

Article 87 Profit and loss statements, etc. (meaning profit and loss statements and consolidated profit and loss statements; the same applies hereinafter in this Part) are to be governed by this Chapter.

(Categories in the Profit and Loss Statement)

Article 88 (1) Profit and loss statements, etc. must be categorized as and presented under the entries set forth below; in such cases, when subdivisions with regard to each entry are appropriate, appropriate subdivisions may be made:

- (i) net sales;
- (ii) cost of sales;
- (iii) selling expenses, and general and administrative expenses;
- (iv) non-operating revenues;
- (v) non-operating expenses;
- (vi) extraordinary gains;
- (vii) extraordinary losses.

(2) Profits belonging to the extraordinary gains must be subdivided in accordance with the categories of gains from sale of fixed assets, gains from prior period adjustment, gains on negative goodwill and any other entries.

(3) Losses belonging to extraordinary losses must be subdivided into losses from

sale of fixed assets, impairment losses, losses due to disaster, losses from prior period adjustment, and any other entries.

- (4) Notwithstanding the provisions of the preceding two paragraphs, among each gain and loss set forth in the preceding two paragraphs, with regard to the amounts that are not important, those gains and losses may not be subdivided.
- (5) If a consolidated company is undertaking two or more different types of business, the revenues and expenses on its consolidated profit and loss statement set forth in item (i) through item (iii) of paragraph (1) may be categorized according to its type of business.
- (6) Consolidated profit and loss statements in the cases set forth in each of the following items may indicate the amounts after the amounts as provided in each relevant item have been offset:
 - (i) cases where amortization of goodwill included in the calculations in the section on assets and where amortization of goodwill included in the calculations in the section on liabilities in the consolidated balance sheet arise (excluding cases where the amortization is important): the amortization of goodwill included in the calculations in the section on assets and the amortization of goodwill included in the calculation in the section on liabilities in the consolidated balance sheet;
 - (ii) cases where investment profits and investment losses arise through the equity method: investment profits and investment losses.
- (7) Each entry of the profit and loss statements, etc. must have an appropriate title given to it that indicates the revenue or expense, or profit or loss, concerning the entry.

(Amount of Gross Profit and Loss)

- Article 89 (1) The amount obtained by subtracting the cost of sales from net sales (hereinafter referred to as the "amount of gross profit and loss") must be presented as the amount of gross profit.
- (2) Notwithstanding the provisions of the preceding paragraph, if the amount of gross profit and loss is less than zero, the amount obtained by subtracting the amount of gross profit and loss from zero must be presented as the amount of gross loss.

(Amount of Operating Profit and Loss)

- Article 90 (1) The amount obtained by subtracting the sum of the selling expenses, and general and administrative expenses from the amount of gross profit and loss (hereinafter referred to as the "amount of operating profit and loss") must be presented as the amount of operating profit.
- (2) Notwithstanding the provisions of the preceding paragraph, if the amount of operating profit and loss is less than zero, the amount obtained by subtracting

the amount of operating profit and loss from zero must be presented as the amount of operating loss.

(Amount of Ordinary Profit and Loss)

Article 91 (1) The amount obtained by subtracting the non-operating expenses from the amount obtained by adding the non-operating revenues to the amount of operating profit and loss (hereinafter referred to as the "amount of ordinary profit and loss") must be presented as the amount of ordinary profit.

(2) Notwithstanding the provisions of the preceding paragraph, when the amount of ordinary profit and loss is less than zero, the amount obtained by subtracting the amount of ordinary profit and loss from zero must be presented as the amount of ordinary loss.

(Amount of Net Profit and Loss Before Taxation)

Article 92 (1) The amount obtained by subtracting any extraordinary losses from the amount obtained by adding any extraordinary gains to the amount of ordinary profit and loss (hereinafter referred to as the "amount of net profit and loss before taxation") must be presented as the amount of net profit before taxation (in a consolidated profit and loss statement, the amount of net profit before income tax adjustment).

(2) Notwithstanding the provisions of the preceding paragraph, if the amount of net profit and loss before taxation is less than zero, the amount obtained by subtracting the amount of net profit and loss before taxation from zero must be presented as the amount of net loss before taxation (in a consolidated profit and loss statement, the amount of net loss before income tax adjustment).

(3) Notwithstanding the provisions of the preceding two paragraphs, with regard to the presentation of the amount of net profit and loss before taxation in a profit and loss statement in provisional financial statements, an appropriate title may be given.

(Taxes)

Article 93 (1) The amounts in the entries set forth below must be presented after the amount of net profit before taxation or the amount of net loss before taxation (in a consolidated profit and loss statement, the amount of net profit before income tax adjustment, or the amount of net loss before income tax adjustment), in entries with titles that present their contents:

(i) corporation tax, etc. for the relevant business year (in consolidated profit and loss statements, the consolidated fiscal year);

(ii) the amount of corporation tax adjustment (meaning adjustments for the corporation tax, etc. set forth in the preceding item recorded through the application of tax effect accounting).

- (2) If there are amounts of taxes paid or taxes refunded due to reassessment or determination, etc. of corporation tax, etc., entries with titles which present their contents are to be presented after the entry set forth in item (i) of the preceding paragraph; provided, however, that if those amounts are of little importance, they may be included in the amount presented in the entry set forth in the same item.

(Amount of Net Profit or Loss for the Current Period)

Article 94 (1) The amount obtained by subtracting the sum of the amounts set forth in item (iii) and item (iv) from the sum of the amounts set forth in item (i) and item (ii) (hereinafter referred to as the "amount of net profit or loss for the current period") must be presented as the amount of net profit for the current period:

- (i) the amount of net profit and loss before taxation;
 - (ii) in the cases prescribed in paragraph (2) of the preceding Article (excluding the cases set forth in the proviso to the same paragraph), when there are amounts of taxes refunded, those amounts of taxes refunded;
 - (iii) the amounts in the entries set forth in the items of paragraph (1) of the preceding Article;
 - (iv) in the cases prescribed in paragraph (2) of the preceding Article (excluding the cases prescribed in the proviso to the same paragraph), when there are amounts of taxes paid, those amounts of taxes paid.
- (2) Notwithstanding the provisions of the preceding paragraph, if the amount of net profit or loss for the current period is less than zero, the amount obtained by subtracting the amount of net profit and loss for the current period from zero must be presented as the amount of net loss for the current period.
- (3) In consolidated profit and loss statements, the amounts in the entries set forth below must be presented after the amount of net profit for the current period or amount of net loss for the current period, in entries with titles that present their contents:
- (i) when there are amounts presented as net profit for the current period, that which is attributable to non-controlling interests among those amounts;
 - (ii) when there are amounts presented as net loss for the current period, that which is attributable to non-controlling interests among those amounts.
- (4) In consolidated profit and loss statements, the amount obtained by adjusting the net profit or net loss for the current period by adding or subtracting the amount within the amount of net profit or net loss for the current period attributable to non-controlling interests must be presented as the amount of net profit or net loss for the current period attributable to owners of parent.
- (5) Notwithstanding the provisions of paragraphs (1) and (2), with regard to the presentation of the amount of net profit or loss for the current period in a profit

and loss statement in provisional financial statements, an appropriate title may be given.

Article 95 Deleted.

Chapter IV Statements of Changes in Shareholders' Equity, Etc.

Article 96 (1) Statements of changes in shareholders' equity, etc. (meaning statements of changes in shareholders' equity, etc., consolidated statements of changes in shareholders' equity, etc., and statements of changes in members' equity, etc. of membership companies; the same applies hereinafter in this Part), are to be governed by the provisions of this Article.

(2) Statements of changes in shareholders' equity, etc. must be classified into and presented under entries as provided in the following items in accordance with the categories of statements of changes in shareholders' equity, etc. set forth therein:

(i) statements of changes in shareholders' equity, etc.: the entries set forth below:

- (a) shareholders' equity;
- (b) valuation and translation differences;
- (c) share options;

(ii) consolidated statements of changes in shareholders' equity, etc.: the entries set forth below:

- (a) shareholders' equity;
- (b) any of the entries set forth below:
 - 1. valuation and translation differences;
 - 2. other comprehensive accumulated income;
- (c) share options;
- (d) non-controlling interests;

(iii) statements of changes in members' equity: the entries set forth below:

- (a) members' equity;
- (b) valuation and translation differences.

(3) The entries set forth in each of the following items must be categorized into the entries as provided therein:

(i) shareholders' equity in statements of changes in shareholders' equity, etc.: the entries set forth below:

- (a) stated capital;
- (b) deposits for subscriptions to shares;
- (c) capital surplus;
- (d) retained earnings;
- (e) treasury shares;

- (f) deposits for subscriptions to treasury shares;
- (ii) shareholders' equity in consolidated statements of changes in shareholders' equity, etc.: the entries set forth below:
 - (a) stated capital;
 - (b) deposits for subscriptions to shares;
 - (c) capital surplus;
 - (d) retained earnings;
 - (e) treasury shares;
 - (f) deposits for subscriptions to treasury shares;
- (iii) members' equity in statements of changes in members' equity, etc.: the entries set forth below:
 - (a) stated capital;
 - (b) capital surplus;
 - (c) retained earnings.
- (4) The entries for statements of changes in shareholders' equity, etc. set forth in each of the following entries must be classified into entries as provided in each relevant item; in such cases, the entries set forth in item (i), (b) and item (ii), (b) may be subdivided into entries with appropriate titles:
 - (i) capital surplus: the entries set forth below:
 - (a) capital reserves;
 - (b) other capital surplus;
 - (ii) retained earnings: the entries set forth below:
 - (a) retained earnings reserves;
 - (b) other retained earnings.
- (5) The entries concerning valuation and translation differences or other comprehensive accumulated income may be subdivided into the entries set forth below, or into other entries with appropriate titles:
 - (i) other securities valuation difference;
 - (ii) deferred gains or losses on hedges;
 - (iii) land revaluation difference;
 - (iv) exchange conversion adjustment accounts;
 - (v) remeasurements of defined benefit plans.
- (6) The entries concerning share options may be categorized as deductions in entries concerning a stock company's own share options.
- (7) The entries concerning stated capital, capital surplus, retained earnings and treasury shares must each disclose what is set forth below; in such cases, what is set forth in item (ii) must disclose the change amount for the current period and the reason for the change for each reason for the change:
 - (i) balance at the beginning of the current period (in the case of performing retrospective application, correction of errors, or finalization of provisional accounting for any business combination implemented in the business year

- prior to the relevant business year, the balance at the beginning of the current period and the amount of influence thereto; the same applies in the following paragraph);
- (ii) change amount for the current period;
 - (iii) balance at the end of the current period.
- (8) The entries concerning valuation and translation differences or other comprehensive accumulated income, share options and non-controlling interests must each disclose the following matters. In such cases, concerning what is set forth in item (ii), clarifying the main amounts by giving the reason for the change is not precluded:
- (i) balance at the beginning of the current period;
 - (ii) change amount for the current period;
 - (iii) balance at the end of the current period.
- (9) In the consolidated statements of changes in shareholders' equity, etc., matters to be included in the calculation of the matters set forth in each of the following items are as provided therein:
- (i) treasury shares referred to in paragraph (3), item (ii), (e): the sum of the amounts set forth below:
 - (a) the book value of shares in the relevant stock company held by the relevant stock company;
 - (b) among the book values of shares in the relevant stock company held by consolidated subsidiary companies, as well as unconsolidated subsidiary companies and affiliated companies applying a means of adjusting equity, an amount corresponding to the equity interests of those companies held by the relevant stock company;
 - (ii) the exchange conversion adjustment accounts referred to in paragraph (5), item (iv): conversion differences arising due to a difference between the exchange rate used in conversions of assets and liabilities of subsidiary companies or affiliated companies in foreign countries, and the exchange rate used in conversions of net assets;
 - (iii) the remeasurements of defined benefit plans referred to in paragraph (5), item (v): the sum of the amounts of the entries set forth below:
 - (a) unrecognized actuarial differences;
 - (b) unrecognized past service cost;
 - (c) other entries of which amounts are found appropriate to be recorded in the remeasurements of defined benefit plans.

Chapter V Tables of Explanatory Notes

(General Rules)

Article 97 Tables of explanatory notes (meaning tables of explanatory notes on

unconsolidated financial statements and tables of explanatory notes on consolidated financial statements; the same applies hereinafter in this Part) are to be governed by this Chapter.

(Categories in the Tables of Explanatory Notes)

Article 98 (1) Tables of explanatory notes must be categorized into and presented under the entries set forth below:

- (i) explanatory notes on the going concern assumption;
- (ii) explanatory notes on important matters concerning accounting policies (for tables of explanatory notes on consolidated financial statements, important matters that are to become the basis for preparation of consolidated financial statements and changes in the scope of consolidation or the scope of application of the means of adjusting equity);
- (iii) explanatory notes on changes in the accounting policies;
- (iv) explanatory notes on changes in the method of presentation;
- (v) explanatory notes on changes to accounting estimates;
- (vi) explanatory notes on correction of errors;
- (vii) explanatory notes on balance sheets, etc.;
- (viii) explanatory notes on the profit and loss statement;
- (ix) explanatory notes on statements of changes in shareholders' equity, etc. (for tables of explanatory notes on consolidated financial statements, consolidated statements of changes in shareholders' equity, etc.);
- (x) explanatory notes on tax effect accounting;
- (xi) explanatory notes on fixed assets exercised through lease;
- (xii) explanatory notes on financial instruments;
- (xiii) explanatory notes on leased real property;
- (xiv) explanatory notes on means of adjusting equity profit and loss, etc.;
- (xv) explanatory notes on transactions with affiliated parties;
- (xvi) explanatory notes on per share information;
- (xvii) explanatory notes on important subsequent events;
- (xviii) explanatory notes on companies to which consolidated dividend regulations apply;
- (xviii)-2 explanatory notes on revenue recognition
- (xix) other explanatory notes.

(2) For the tables of explanatory notes set forth in the following items, there is no requirement to indicate the entries as provided therein:

- (i) tables of explanatory notes on unconsolidated financial statements in stock companies (excluding public companies) other than a company with financial auditor: the entries set forth in item (i), item (v), item (vii), item (viii) and item (x) through item (xviii) of the preceding paragraph;
- (ii) tables of explanatory notes on unconsolidated financial statements in public

- companies other than a company with financial auditor: the entries set forth in item (i), item (v), item (xiv) and item (xviii) of the preceding paragraph;
- (iii) tables of explanatory notes on unconsolidated financial statements in stock companies that are a company with financial auditor other than those prescribed in Article 444, paragraph (3) of the Act: the entry set forth in item (xiv) of the preceding paragraph;
- (iv) tables of explanatory notes on consolidated financial statements: the entries set forth in item (viii), item (x), item (xi), item (xiv), item (xv) and item (xviii) of the preceding paragraph;
- (v) tables of explanatory notes on unconsolidated financial statements in membership companies: the entries set forth in item (i), item (v) and item (vii) through item (xviii) of the preceding paragraph.

(Method of Notation)

Article 99 With regard to explanatory notes given in association with specified entries in balance sheets, etc., profit and loss statements, etc. or statements of changes in shareholders' equity, etc., that association must be made clear.

(Explanatory Notes on the Going Concern Assumption)

Article 100 Explanatory notes on the assumption of going concern, if events occur or a situation exists on the last day of the business year which causes serious doubts to arise over the assumption that the relevant stock company will continue its business operations in the future (hereinafter referred to as a "going concern assumption" in this Article), and when it is found that, even where countermeasures to resolve or ameliorate the events or situation have been undertaken, there remains serious uncertainty over the going concern assumption (excluding the cases where it is no longer found that the serious uncertainty will exist after the last day of that business year), comprise of the following matters:

- (i) the fact that the events have occurred or that the situation exists, and the nature thereof;
- (ii) countermeasures taken to resolve or ameliorate the events or situation;
- (iii) the fact that a serious uncertainty has been found, and the reasons therefor;
- (iv) whether or not the effects of the serious uncertainty will be reflected in the financial statements (for tables of explanatory notes on consolidated financial statements, the consolidated financial statements).

(Explanatory Notes on Important Matters Concerning Accounting Policies)

Article 101 Explanatory notes on important matters concerning accounting policies comprise of the matters set forth below related to accounting policies

(excluding those which are of little importance):

- (i) the valuation criteria and valuation methods for assets;
- (ii) the depreciation methods for fixed assets;
- (iii) the recording criteria for allowances;
- (iv) the recording criteria for revenue and expenses;
- (v) other important matters forming the basis for preparation of financial statements.

(Explanatory Notes on Important Matters That Are to Become the Basis for Preparation of Consolidated Financial Statements)

Article 102 (1) Explanatory notes on important matters that are to become the basis for preparation of the consolidated financial statements comprise of the matters set forth below; in such cases, the notes must be categorized into the matters set forth in each relevant item:

- (i) the matters set forth below related to the scope of the consolidation:
 - (a) the number of consolidated subsidiary companies and the names of major consolidated subsidiary companies;
 - (b) if there are unconsolidated subsidiary companies, the matters set forth below:
 - 1. the names of major unconsolidated subsidiary companies;
 - 2. the reason unconsolidated subsidiary companies were excluded from the scope of the consolidation;
 - (c) when a company, etc. in which relevant stock company owns a majority of the voting rights on its own account did not become a subsidiary company, the name of the company, etc. and the reason it did not become a subsidiary company;
 - (d) when matters related to the property and profit and loss of a subsidiary company excluded from the scope of the consolidation pursuant to the provisions of the proviso to Article 63, paragraph (1) are found to have an important effect on the valuation of the status of relevant corporate group's property and profits and losses, their nature;
 - (e) if there is a special purpose company subject to disclosure (meaning the special purpose company prescribed in Article 4 of the Regulations for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006) (limited to those which are presumed not to be a subsidiary company of a company transferring assets to the special purpose company pursuant to the provisions of the same Article); the same applies hereinafter in this item and in Article 111)), the matters set forth below and any other important matters:
 - 1. a description of the special purpose company subject to disclosure;
 - 2. a description of any transactions with the special purpose company

- subject to disclosure, and the transacted amounts;
- (ii) the matters set forth below related to the application of the means of adjusting equity:
 - (a) the number of unconsolidated subsidiary companies or affiliated companies applying the means of adjusting equity, and the names of major companies, etc., among them;
 - (b) when there are unconsolidated subsidiary companies or affiliated companies not applying the means of adjusting equity, the matters set forth below:
 - 1. the names of major companies, etc. among those unconsolidated subsidiary companies or affiliated companies;
 - 2. the reason that the means of adjusting equity is not applied to the unconsolidated subsidiary companies or affiliated companies;
 - (c) when a company, etc. in which the relevant stock company owns between 20 percent and 50 percent of the voting rights on its own account did not become an affiliated company, the name of the company, etc., and the reason that it did not become an affiliated company;
 - (d) if there are matters for which special indication is found to be necessary with regard to procedures for the application of the means of adjusting equity, the nature thereof;
 - (iii) the matters set forth below related to accounting policies:
 - (a) valuation criteria and valuation methods for important assets;
 - (b) depreciation methods for important depreciable assets;
 - (c) recording criteria for important allowances;
 - (d) other important matters forming the basis for preparation of consolidated financial statements.
- (2) Explanatory notes on changes in the scope of consolidation or the scope of application of the means of adjusting equity, if any change has been made in the scope of consolidation or the scope of application of the means of adjusting equity (excluding cases where the change is of little importance), comprise that fact and the reason for the change

(Explanatory Notes on Changes in Accounting Policies)

- Article 102-2 (1) Explanatory notes on changes in accounting policies, if accounting policies that are generally accepted as fair and appropriate have been changed to other accounting policies that are generally accepted as fair and appropriate, comprise the following matters (excluding those which are of little importance); provided, however, that for stock companies other than a company with financial auditor and for membership companies, the matters set forth in item (iv), (b) and (c) may be omitted:
- (i) the contents of the changes in the accounting policies;

- (ii) the reason for the changes in the accounting policies;
- (iii) in the case of performing retrospective application, the amount of influence on the amount of net assets at the beginning of the relevant business year;
- (iv) in the case of not performing retrospective application for all or part of business years prior to the relevant business year, the following matters (excluding the matter set forth in (b) when it is difficult to distinguish the changes in the accounting policies from changes to accounting estimates):
 - (a) the amount of influence on the major entries of the financial statements or the consolidated financial statements;
 - (b) the reason for not performing retrospective application for all or part of the business years prior to the relevant business year, and the method of application and the time of starting the application of the changes in the accounting policies;
 - (c) if the changes in the accounting policies are likely to exert an influence on property or profit and loss on or after the business year following the relevant business year, and it is appropriate to note matters related to the influence, those matters.

(2) When matters to be noted in the tables of explanatory notes on unconsolidated financial statements (limited to the matters set forth in item (iii) and item (iv), (b) and (c) of the preceding paragraph) are the same as the matters to be noted in the tables of explanatory notes on consolidated financial statements, and that fact is noted in the tables of explanatory notes on unconsolidated financial statements, those matters are not required to be noted in the tables of explanatory notes on unconsolidated financial statements.

(Explanatory Notes on Changes in the Method of Presentation)

Article 102-3 (1) Explanatory notes on changes in the method of presentation, if a method of presentation that is generally accepted as fair and appropriate has been changed to another method of presentation that is generally accepted as fair and appropriate, comprise the following matters (excluding those which are of little importance):

- (i) the contents of the changes in the method of presentation;
- (ii) the reason for the changes in the method of presentation.

(2) When the matter to be noted in the tables of explanatory notes on unconsolidated financial statements (limited to the matter set forth in item (ii) of the preceding paragraph) is the same as the matter to be noted in the tables of explanatory notes on consolidated financial statements, and that fact is noted in the tables of explanatory notes on unconsolidated financial statements, those matters are not required to be noted in the tables of explanatory notes on unconsolidated financial statements.

(Explanatory Notes on Changes to Accounting Estimates)

Article 102-4 Explanatory notes on changes to accounting estimates, if changes to accounting estimates have been made, comprise the following matters (excluding those which are of little importance):

- (i) the contents of the changes to accounting estimates;
- (ii) the amount of influence that the changes to accounting estimates have on the entries of the financial statements or the consolidated financial statements;
- (iii) if the changes to accounting estimates are likely to exert an influence on property or profit and loss on or after the business year following the relevant business year, matters related to the influence.

(Explanatory Notes on Correction of Errors)

Article 102-5 Explanatory notes on correction of errors, if correction of errors has been performed, comprise the following matters (excluding those which are of little importance):

- (i) the contents of the errors;
- (ii) the amount of influence on the amount of net assets at the beginning of the relevant business year.

(Explanatory Notes on Balance Sheets)

Article 103 Explanatory notes on balance sheets, etc. comprise the matters set forth below (excluding the matters set forth in item (vi) through item (ix) for tables of explanatory notes on consolidated financial statements):

- (i) the matters set forth below if assets are held as security:
 - (a) the holding of assets as security;
 - (b) the nature of the assets referred to in (a), and their amount;
 - (c) the amount of the obligation concerning the security;
- (ii) the amount of allowances in the separate asset entry for each asset if allowances concerning assets are deducted directly (if collective notation is appropriate, the collective amount of allowances for each asset in the current assets, the tangible fixed assets, the intangible fixed assets, the investments and other assets, or the deferred assets);
- (iii) the amount of accumulated depreciation in the separate asset entry for each asset if accumulated depreciation concerning assets is deducted directly (if collective notation is appropriate, the collective amount of accumulated depreciation for each asset);
- (iv) if the amount of accumulated impairment loss and accumulated depreciation concerning assets are combined and presented in the entry for accumulated depreciation, the fact that the accumulated impairment loss is included in the accumulated depreciation;

- (v) when there are guarantee obligations, obligations to pay recourse debts on bills, obligations for damages concerning important contentious cases, and any other equivalent obligations (excluding those recorded in the section on liabilities), the nature of the obligations and their amounts;
- (vi) when each entry containing monetary claims or monetary liabilities regarding associated companies is not separately categorized from other monetary claims or monetary liabilities, the amounts of each entry containing monetary claims or monetary liabilities regarding the associated companies, or a collective amount of two or more entries;
- (vii) when there are monetary claims regarding directors, company auditors and executive officers arising through transactions between directors, company auditors and executive officers, the total amount;
- (viii) when there are monetary liabilities regarding directors, company auditors and executive officer arising through transactions between directors, company auditors and executive officers, the total amount;
- (ix) the separate amounts of each of the categories of the parent company shares of the stock company.

(Explanatory Notes on Profit and Loss Statements)

Article 104 Explanatory notes on profit and loss statements comprise the total amount of volume of trade arising from business transactions with associated companies, and the total amount of volume of trade arising from transactions that are not business transactions with associated companies.

(Explanatory Notes on Statements of Changes in Shareholders' Equity, Etc.)

Article 105 Explanatory notes on statements of changes in shareholders' equity, etc. comprise the matters set forth below; in such cases, stock companies preparing tables of explanatory notes on consolidated financial statements may omit matters other than those set forth in item (ii):

- (i) the number of issued shares on the last day of the relevant business year (for companies with multiple-class shares, the number of issued shares in each class);
- (ii) the number of treasury shares on the last day of the relevant business year (for companies with multiple-class shares, the number of treasury shares in each class);
- (iii) the matters set forth below and any other matters related to distribution of dividends from surplus occurring in the relevant business year (including: among distributions of dividends from surplus occurring after the last day of the relevant business year, those for which the record date prescribed in Article 124, paragraph (1) of the Act for the purposes of determining persons receiving distribution of dividends from surplus came in the relevant

business year):

- (a) if the dividend property is money, the total amount of the money;
- (b) the total amount of the book value of the relevant property if the dividend property is other than money (if the market value on the day of distribution of dividends from surplus has been entered, the book value after entering that market value);
- (iv) the number of shares in the relevant stock company (for companies with multiple-class shares, the class and the number in each class) that are intended to be share options (excluding those for which the first day of the period referred to in Article 236, paragraph (1), item (iv) of the Act has not arrived) issued by the relevant stock company on the last day of the relevant business year.

(Explanatory Notes on Consolidated Statements of Changes in Shareholders' Equity, Etc.)

Article 106 Explanatory notes on consolidated statements of changes in shareholders' equity, etc. comprise the following matters:

- (i) the total amount of issued shares of the relevant stock company on the last day of the relevant consolidated fiscal year (for companies with multiple-class shares, the total amount of issued shares in each class);
- (ii) the matters set forth below, and any other matters, related to distribution of dividends from surplus occurring in the relevant consolidated fiscal year (including, among distributions of dividends from surplus occurring after the last day of the relevant consolidated fiscal year, those for which the record date prescribed in Article 124, paragraph (1) of the Act, for the purposes of determining persons receiving distribution of dividends from surplus came in the relevant consolidated fiscal year):
 - (a) if the dividend property is money, the total amount of the money;
 - (b) the total amount of the book value of the relevant property if the dividend property is other than money (if the market value on the day of distribution of dividends from surplus has been entered, the book value after entering that market value);
- (iii) the number of shares in the relevant stock company (for companies with multiple-class shares, the class and the number in each class) that are intended to be share options (excluding those for which the first day of the period referred to in Article 236, paragraph (1), item (iv) of the Act has not arrived) issued by the relevant stock company on the last day of the relevant consolidated fiscal year.

(Explanatory Notes on Tax Effect Accounting)

Article 107 Explanatory notes on tax effect accounting refer to matters arising

from the major causes set forth below (excluding those which are not important):

- (i) deferred tax assets (including the relevant amount if an amount is deducted from deferred tax assets through the calculations for it);
- (ii) deferred tax liabilities.

(Explanatory Notes on Fixed Assets Exercised Through a Lease)

Article 108 Explanatory notes on fixed assets exercised through a lease comprises matters related to leased objects (limited to fixed assets; hereinafter the same applies in this Article) if the stock company which is the lessee under a finance lease does not perform accounting practices in accordance with methods concerning ordinary sales transactions regarding the relevant finance lease. This does not preclude the inclusion of the matters set forth below concerning all or part of the leased objects (if each leased object is to be noted collectively, matters related to leased objects which are to be noted collectively):

- (i) an amount equivalent to the cost at acquisition on the last day of the relevant business year;
- (ii) an amount equivalent to the amount of accumulated depreciation on the last day of the relevant business year;
- (iii) an amount equivalent to the future lease payment on the last day of the relevant business year;
- (iv) any important matters concerning the relevant leased object, beyond what is set forth in the preceding three items.

(Explanatory Notes on Financial Instruments)

Article 109 (1) Explanatory notes on financial instruments comprise the following (excluding those which are of little importance); provided, however, that a Stock Company other than a Stock Company prescribed in Article 444, paragraph (3) of the Act may omit the matters provided in item (iii):

- (i) the matters related to the status of financial instruments;
 - (ii) the matters related to the market value, etc. of financial instruments.
- (2) Stock companies preparing tables of explanatory notes on consolidated financial statements are not required to note the matters referred to in the preceding paragraph in the tables of explanatory notes on unconsolidated financial statements.
- (iii) the matters related to the breakdown, etc. of each appropriate category of the market value of financial instruments.

(Explanatory Notes on Leased Real Property)

Article 110 (1) Explanatory notes on leased real property comprise the following

(excluding those which are of little importance):

(i) the matters related to the status of leased real property;

(ii) the matters related to the market value of leased real property.

(2) Stock companies preparing explanatory notes on consolidated financial statements are not required to note the matters referred to in the preceding paragraph in the tables of explanatory notes on unconsolidated financial statements.

(Explanatory Notes on Means of Adjusting Equity Profit and Loss, Etc.)

Article 111 (1) Explanatory notes on means of adjusting equity profit and loss, etc. comprise what is as provided in the following items in accordance with the categories of cases set forth therein; provided, however, that the matters as provided in item (i), affiliated companies of little importance from the viewpoint of profit and loss and retained earnings may be excluded:

(i) cases where there are affiliated companies: amounts of investments in affiliated companies as well as the amounts of investment when the means of adjusting equity has been applied with respect to the investments, and the amounts of investment profits and investment losses;

(ii) cases where there are special purpose companies subject to disclosure: descriptions of special purpose companies subject to disclosure, descriptions of transactions with special purpose companies subject to disclosure and the transacted amounts, and any other important matters.

(2) Stock companies preparing consolidated financial statements are not required to note the matters referred to in the preceding paragraph in the tables of explanatory notes on unconsolidated financial statements.

(Explanatory Notes on Transactions with Affiliated Parties)

Article 112 (1) Explanatory notes on transactions with affiliated parties comprise the important matters set forth below if there are transactions between a stock company and affiliated parties (including those which are transactions between the stock company and a third party and which cause a conflict of interest between the stock company and the affiliated party); provided, however, that for stock companies other than a company with financial auditor, the matters set forth in item (iv) through item (vi), and in item (viii) may be omitted:

(i) when the affiliated party is a company, etc., the matters set forth below:

(a) the name;

(b) the rate of voting rights held by the relevant stock company out of the total number of voting rights held by all shareholders in the affiliated party;

(c) the rate of voting rights held by the affiliated party out of the total

- number of voting rights held by all shareholders in the stock company;
- (ii) when the affiliated party is an individual, the matters set forth below:
 - (a) the name;
 - (b) the ratio of voting rights held by the affiliated party out of the total number of voting rights held by all shareholders in the stock company;
 - (iii) the relationship between the stock company and the affiliated party;
 - (iv) the nature of any transactions;
 - (v) the transacted amounts for each class of transaction;
 - (vi) the transaction terms and conditions and the transaction terms and conditions decision policy;
 - (vii) the balance on the last day of the relevant business year for each major entry concerning obligations or claims arising through any transactions;
 - (viii) when there have been changes to the terms and conditions, that fact, the nature of the changes and the nature of the effect of the changes on the financial statements.
- (2) With regard to transactions set forth below among transactions with an affiliated party, the notes prescribed in the preceding paragraph are not required:
 - (i) transactions based on general competitive bidding and transactions for which it is clear that the transaction terms are the same as those of general transactions, from the viewpoint of the nature of the receipt of deposit interest and dividends and other transactions,;
 - (ii) payment of remuneration to a director, accounting advisor, company auditor or executive officer (hereinafter referred to as "officer" in this Article);
 - (iii) beyond the transactions set forth in the preceding two items, the relevant transactions if it is clear that determinations have been made to the effect that the terms and conditions of the relevant transactions are the same as those used in general transactions, taking into account the market price and any other fair values concerning the relevant transactions.
- (3) Explanatory notes on transactions with affiliated parties must be presented for each affiliated party, in accordance with the categories set forth in each item of paragraph (1).
- (4) The term "affiliated party" prescribed in the preceding three paragraphs means the persons set forth below:
 - (i) the parent company of the relevant stock company;
 - (ii) the subsidiary companies of the relevant stock company;
 - (iii) the subsidiary company of the parent company of the relevant stock company (including anything which corresponds to a subsidiary company of that parent company if that parent company is not a company);
 - (iv) any other associated companies of the relevant stock company (meaning

- the other company if the relevant stock company is an affiliated company of the relevant other company; the same applies hereinafter in this item) and the parent company (if the relevant other associated company is not a stock company, anything which corresponds to a parent company) and subsidiary companies (if the relevant other associated company is not a company, anything which corresponds to a subsidiary company) of the relevant other associated company;
- (v) affiliated companies of the relevant stock company, and the subsidiary companies of those affiliated companies (if those affiliated companies are not companies, anything which corresponds to a subsidiary company);
 - (vi) the relevant stock company's major shareholders (meaning a shareholder who holds 10 percent or more of the total number of voting rights (excluding the voting rights concerning shares set forth below) held by all the shareholders in the relevant stock company, in their or another person's name) and their close relatives (meaning relatives within the second degree of kinship); the same applies hereinafter in this Article):
 - (a) shares owned as trust assets by a person operating a trust business (meaning a trust business as prescribed in Article 2, paragraph (1) of the Trust Business Act (Act No. 154 of 2004));
 - (b) shares acquired through underwriting or secondary distribution during business operations performed by a person operating a securities-related business (meaning the securities-related business prescribed in Article 28, paragraph (8) of the Financial Instruments and Exchange Act);
 - (c) shares owned by a person operating a business prescribed in Article 156-24, paragraph (1) of the Financial Instruments and Exchange Act as part of those business operations;
 - (vii) officers of the relevant stock company and their close relatives;
 - (viii) officers of the parent company of the relevant stock company or equivalent persons, and their close relatives;
 - (ix) if a person set forth in the preceding three items owns a majority of the voting rights of another company, etc. on the person's own account, the relevant company, etc. and subsidiary companies of the relevant company, etc. (if the relevant company, etc. is not a company, anything which corresponds to a subsidiary company);
 - (x) corporate pension for employees (limited to cases of important transactions with the relevant stock company (excluding contributions of premiums)).

(Explanatory Notes on Per Share Information)

Article 113 Explanatory notes on per share information comprise of the following matters:

- (i) the amount of net assets per share;

- (ii) the amount of net profit for the current period or amount of net loss for the current period per share (for consolidated financial statements, the amount of net profit for the current period or amount of net loss for the current period per share attributable to shareholders of the parent);
- (iii) if a stock company performed consolidation of shares or splitting of shares in the relevant business year (for consolidated financial statements, the relevant consolidated fiscal year; hereinafter the same applies in this item) or after the last day of the relevant business year, if the amounts set forth in the preceding two items were calculated by assuming that the consolidation of shares or splitting of shares was performed at the beginning of the relevant business year, that fact.

(Explanatory Notes on Important Subsequent Events)

Article 114 (1) Explanatory notes on important subsequent events in tables of explanatory notes on unconsolidated financial statements comprise the relevant events if events arise after the last day of the business year of the relevant stock company which exercise an important effect on property or profit and loss on or after the following business year of the relevant stock company.

(2) Explanatory notes on important subsequent events in tables of explanatory notes on consolidated financial statements comprise the relevant events if events arise after the last day of the business year of the relevant stock company which exercise an important effect on property or profit and loss on or after the following business year of consolidated companies and the unconsolidated subsidiary companies to which the means of adjusting equity is applied, and affiliated companies; provided, however, that with regard to subsidiary companies and affiliated companies taking a different day from the last day of the business year of the relevant stock company as the last day of their business year, this applies to events arising after the last day of the business year of those subsidiary companies or affiliated companies.

(Explanatory Notes on a Company to Which Consolidated Dividend Regulations Apply)

Article 115 Explanatory notes on a company to which consolidated dividend regulations apply comprise the intention to become a company to which consolidated dividend regulations apply after the time when the last day of the relevant business year becomes the last day of the most recent business year.

(Explanatory Notes on Revenue Recognition)

Article 115-2 (1) When a company recognizes revenue generated from the contract in accordance with the status of performance of obligations based on

the contract with the customer, explanatory notes on revenue recognition comprise the following matters:

- (i) contents of major obligations based on the contract with the customer of the principal business of the company.
 - (ii) normal time to recognize revenue concerning the obligations referred to in the preceding item.
- (2) If matters to be noted in the tables of explanatory notes on unconsolidated financial statements pursuant to the preceding paragraph are the same as the matters to be noted in the tables of explanatory notes on consolidated financial statements, and that fact is noted in the tables of explanatory notes on unconsolidated financial statements, those matters are not required to be noted in the tables of explanatory notes on unconsolidated financial statements.

(Other Explanatory Notes)

Article 116 Beyond what is set forth in Article 100 through the preceding Article, other explanatory notes comprise any necessary matters for the accurate judgment of the status of assets or profit and loss of a company (for tables of explanatory notes on consolidated financial statements, a corporate group) through its balance sheets, etc., profit and loss statements, etc., and statements of changes in shareholders' equity, etc.

Chapter VI Attached Detailed Statements

Article 117 Beyond the matters set forth below (for stock companies that are not public companies, the matters set forth in item (i) through item (iii)), attached detailed statements concerning a stock company financial statement for each business year must comprise and indicate any important matters supplementing the contents of the balance sheet, profit and loss statement, statements of changes in shareholders' equity, etc. and tables of explanatory notes on unconsolidated financial statements of a stock company:

- (i) specifications of tangible fixed assets and intangible fixed assets;
- (ii) specifications of allowances and provisions;
- (iii) specifications of selling expenses, and general and administrative expenses;
- (iv) when there are matters omitted pursuant to the provisions of the proviso to Article 112, paragraph (1), those matters.

Chapter VII Miscellaneous Provisions

(Special Provisions with Regard to Accounting Documents of a Company Undertaking Appendix-Listed Businesses)

Article 118 (1) With regard to the terminology, forms and methods of preparation of accounting documents that a company (including corporate groups; the same applies hereinafter in this Article) engaging in any one of the businesses set forth in the appendix (hereinafter referred to as "appendix-listed businesses" in this Article) to the Regulations on Terminology, Forms and Methods of Preparation of Financial Statements (Ministry of Finance Order No. 59 of 1963) submits to the governing agencies of the appendix-listed businesses, if there are specific provisions of applicable laws and regulations, or where the governing agencies for the appendix-listed businesses have enacted rules for financial statements in the same manner as this Ministerial Order (hereinafter referred to as the "Rules" in this Article), the terminology, forms and methods of preparation of the accounting documents that the abovementioned company undertaking the appendix-listed businesses are to prepare are as provided by those laws and regulations or the Rules, notwithstanding the provisions of Chapter I through the preceding Chapter; provided, however, that this does not apply to matters that are not as provided in those laws and regulations or the Rules.

(2) Notwithstanding the provisions of the preceding paragraph, with regard to terminology, forms and methods of preparation of accounting documents that are to be prepared by a company undertaking two or more categories of appendix-listed businesses (limited to those to which the provisions of the laws and regulations or the Rules under the same paragraph apply, hereinafter the same applies in this Article), the applicable laws and regulations or the Rules applied in relation to business operations from among those categories of appendix-listed businesses that comprise the major part of that company's business operations (hereinafter referred to as the "main business" in this Article) apply; provided, however, that with regard to matters related to appendix-listed businesses that is not the main business, the applicable laws and regulations or the Rules applied in relation to the appendix-listed businesses that is not the main business may be applied.

(3) If the main business of a company undertaking appendix-listed businesses and any other business operations are not appendix-listed businesses, with regard to terminology, forms and methods of preparation of accounting documents that are to be prepared by that company, the provisions of paragraph (1) need not be applied; provided, however, that with regard to matters related to the appendix-listed businesses, the applicable laws and regulations or the Rules applied in relation to the appendix-listed businesses may be applied.

(4) With regard to accounting documents that are to be prepared by a company to which the provisions of the preceding three paragraphs are being applied (limited to those to which applicable laws and regulations or the Rules applied

in relation to appendix-listed businesses with regard to all or part of the terminology, forms and methods of preparation of accounting documents that are to be prepared by that company are applied; hereinafter referred to as a "company undertaking appendix-listed business"), if there are matters that are not required to be presented pursuant to the provisions of this Ministerial Order, then notwithstanding the provisions of applicable laws and regulations or the Rules applied related to those matters, the indication of those matters may be omitted or those matters may be presented through an appropriate method.

(Reserves under the Provisions of Laws and Regulations Other than the Companies Act)

Article 119 (1) For reserves or allowances that are to be recorded under the title of reserves or allowances pursuant to the provisions of laws and regulations other than the Act, those for which the recording in the section on assets or the section on liabilities is inappropriate (hereinafter referred to as "reserves, etc." in this paragraph) must be presented in a separate category after the fixed liabilities. In such cases, the reserves, etc. must be presented in entries with titles which present their intended purpose.

(2) If there are reserves or allowances that are to be recorded under the titles of reserves or allowances pursuant to the provisions of laws and regulations other than the Act, the matters set forth below (if the categorization set forth in item (ii) would be difficult, the matters set forth in item (i)) must be presented in the tables of explanatory notes:

- (i) the provisions of those laws and regulations;
- (ii) classification of the reserves or allowances based on whether it is found that they will or will not be exercised within one year.

(Special Provisions on Consolidated Financial Statements Prepared in Accordance with the International Accounting Standards)

Article 120 (1) Consolidated financial statements that are to be prepared by a stock company concerning which the terminology, forms, and preparation methods are considered to be in compliance pursuant to the provisions of Article 93 (meaning the designated international accounting standards prescribed in the same Article; hereinafter the same applies in this Article) of the Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976) may be prepared in compliance with designated international accounting standards. In such cases, any other matters excluding those corresponding to matters that are to be presented in the consolidated financial statements prescribed in Article 61, item (i) pursuant to the provisions of Chapter I

through Chapter V may be omitted.

- (2) The fact that the consolidated financial statements were prepared in compliance with designated international accounting standards must be stated in the notes to consolidated financial statements prepared pursuant to the provisions of the preceding paragraph.
- (3) Notwithstanding the provisions of the preceding paragraph, the fact that the consolidated financial statements were prepared pursuant to the provisions of paragraph (1) and the fact that there are matters omitted pursuant to the provisions of the second sentence of the same paragraph must be stated in the notes to consolidated financial statements prepared pursuant to the provisions of paragraph (1) that have matters omitted pursuant to the provisions of the second sentence of the same paragraph.

(Special Provisions on Japan's Modified International Standards)

- Article 120-2 (1) Consolidated financial statements that are to be prepared by a stock company concerning which the terminology, forms, and preparation methods are considered to be in compliance with Japan's Modified International Standards pursuant to the provisions of Article 94 of Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (meaning the Japan's Modified International Standards prescribed in the same Article; hereinafter the same applies in this Article) may be prepared in compliance with Japan's Modified International Standards.
- (2) The fact that the consolidated financial statements were prepared in compliance with Japan's Modified International Standards must be stated in the notes to consolidated financial statements prepared pursuant to the provisions of the preceding paragraph.
 - (3) The provisions of the second sentence of paragraph (1) and paragraph (3) of the preceding Article apply mutatis mutandis to the cases referred to in paragraph (1).

(Special Provisions on Consolidated Financial Statements Prepared to the Standards of the United States of America)

- Article 120-3 (1) Consolidated financial statements that are to be prepared by a stock company concerning which terminology, forms, and preparation methods considered to be in accordance with the terminology, forms, and preparation methods required to be used in relation to issuance, etc. of American depositary receipts pursuant to the provisions of Article 95 of the Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements or paragraph (3) of the Supplementary Provisions of the Cabinet Office Order Partially Amending the Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Cabinet Office

Order No. 11 of 2002) can be considered to be in accordance with the terminology, forms, and preparation methods required to be used in relation to issuance, etc. of American depositary receipts.

- (2) The terminology, forms, and preparation methods to which the consolidated financial statements comply must be stated in the notes to consolidated financial statements prepared under the provisions of the preceding paragraph.
- (3) The provisions of the second sentence of Article 120, paragraph (1) apply mutatis mutandis to cases as under the paragraph (1).

Part IV Audits of Accounting Documents

Chapter I General Rules

Article 121 (1) Audit (limited to that concerning accounting documents (excluding the balance sheet on the day of formation; the same applies hereinafter in this Part); the same applies hereinafter in this Part) under Article 436, paragraph (1) and paragraph (2), Article 441, paragraph (2), and Article 444, paragraph (4) of the Act are to be governed by this Part.

- (2) Beyond the audit prescribed in Article 2, paragraph (1) of the Certified Public Accountants Act (Act No. 103 of 1948), the audit prescribed in the preceding paragraph is to confirm that the information presented in the accounting documents and the information that is to be presented in the accounting documents is consistent, and include procedures for the communication to interested parties of its results.

Chapter II Audit in Stock Companies Other than a Company with Financial Auditor

(The Contents of Audit Reports by Company Auditor)

Article 122 (1) When receiving accounting documents, a company auditor (excluding company auditor in companies with financial auditor; hereinafter the same applies in this Chapter) must prepare an audit report containing the matters set forth below (for audit reports by company auditor in a company with a board of company auditors, the matters set forth in item (i) through item (iv)):

- (i) the method of the audit by company auditor and the contents thereof;
- (ii) an opinion on whether all of the important points regarding the status of the property and profits and losses of the relevant stock company are correctly presented in the accounting documents;
- (iii) when necessary investigations for the purposes of the audit could not be carried out, that fact and the reasons therefor;
- (iv) postscript information;

- (v) the day the audit report was prepared.
- (2) The "postscript information" prescribed in item (iv) of the preceding paragraph among the matters set forth below or any other matters, comprises those matters for which there is a necessity to append explanations related to the judgments of the company auditor, or matters that require emphasis among the contents of the accounting documents:
- (i) changes to accounting policies;
 - (ii) important contingent events;
 - (iii) important subsequent events.

(Contents of Audit Reports by Boards of Company Auditors)

- Article 123 (1) Boards of company auditors (excluding boards of company auditors in companies with financial auditor; the same applies hereinafter in this Chapter) must prepare audit reports by the board of company auditors (hereinafter referred to as "board of company auditors audit reports" in this Article) based on audit reports prepared by company auditor (hereinafter referred to as "company auditor audit reports" in this Article) pursuant to the provisions of paragraph (1) of the preceding Article.
- (2) Board of company auditors audit reports must contain the matters set forth below; in such cases, if there is a difference between the contents of the board of company auditors audit reports concerning those matters and the contents of any company auditor audit reports by company auditor concerning those matters, company auditors may attach the contents of the company auditor audit reports by each company auditor concerning those matters as supplementary notes to the board of company auditors audit reports:
- (i) the matters set forth in paragraph (1), item (ii) through item (iv) of the preceding Article;
 - (ii) the method of audits by company auditor and board of company auditors and the contents thereof;
 - (iii) the day the board of company auditors audit report was prepared.
- (3) If a board of company auditors is preparing a board of company auditors audit report, the board of company auditors must deliberate on the contents of the board of company auditors audit report (excluding supplementary notes under the provisions of the second sentence of the preceding paragraph) on one or more occasions, through the method of holding a meeting or through a method whereby opinions can be exchanged in real time through the transmission of information.

(Notification Deadlines for Audit Reports)

- Article 124 (1) In accordance with the categories of audit reports set forth in the following items (limited to audit reports of boards of company auditors

- prepared pursuant to the provisions of paragraph (1) of the preceding Article for companies with board of auditors; the same applies hereinafter in this Article), specified company auditors must give notice of the contents of the relevant audit reports to the specified directors by the day as provided therein:
- (i) audit reports on financial statements for each business year and the attached detailed statements thereof: whichever of the days set forth below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant financial statements were received;
 - (b) the day on which one week has passed from the day on which the attached detailed statements attached to the relevant financial statements were received;
 - (c) when there is a day determined through agreement between the specified directors and specified company auditor, that day;
 - (ii) audit reports on provisional financial statements: whichever of the days set forth below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant provisional financial statements were received;
 - (b) when there is a day determined through agreement between the specified director and specified company auditor, that day.
- (2) Accounting documents are deemed to have been audited by a company auditor on the day on which the notice of the contents of the audit report under the provisions of the preceding paragraph has been received by the specified director.
- (3) Notwithstanding the provisions of the preceding paragraph, if the specified company auditor has not given notice of the contents of an audit report under the provisions of paragraph (1) by the day on which notice was to be made pursuant to the provisions of the same paragraph, that day on which notice was to be made is deemed to be that on which the accounting documents were audited by the company auditor.
- (4) The term "specified director" prescribed in paragraph (1) and paragraph (2) means the persons as provided in the following items (if the relevant stock company is a company with accounting advisors, the persons as provided respectively in the following items and accounting advisors) in accordance with the categories of cases set forth therein:
- (i) cases where persons who are to receive notice under the provisions of paragraph (1) have been determined: the persons determined as the persons who are to receive the notice;
 - (ii) cases other than that set forth in the preceding item: directors who performed duties related to the preparation of the accounting documents that were to be audited.

- (5) The "specified company auditor" prescribed in paragraph (1) and paragraph (3) is the persons as provided in the following items in accordance with the categories of stock company set forth therein:
- (i) company with company auditor (including stock companies which have provisions in their articles of incorporation restricting the scope of audits by company auditor to matters related to accounting, and excluding companies with board of company auditors and companies with financial auditor): the persons as provided in the following items (a) through (c) in accordance with the categories of cases set forth therein:
 - (a) cases where there are two or more company auditors and a decision has been reached on which company auditor is to give notice of the contents of an audit report under the provisions of paragraph (1): the company auditor decided as the company auditor who is to give the notice;
 - (b) cases where there are two or more company auditors and no decision has been reached on which company auditor is to give notice of the contents of an audit report under the provisions of paragraph (1): all of the company auditors;
 - (c) cases other than those set forth in (a) or (b): a company auditor;
 - (ii) company with a board of company auditors (excluding companies with financial auditor): the persons as provided in the following items (a) or (b) in accordance with the categories of cases set forth therein:
 - (a) cases where the board of company auditors has decided which company auditor is to give notice of the contents of an audit report under the provisions of paragraph (1): the company auditor decided as the company auditor who is to give the notice;
 - (b) cases other than those set forth in (a): all of the company auditors.

Chapter III Audits in Companies with Financial Auditors

(Provision of Accounting Documents)

Article 125 When intending to provide accounting documents to financial auditor, directors who have prepared accounting documents (for a company with a nominating committee, etc., executive officers) must also provide accounting documents to company auditors (for a company with an audit and supervisory committee, the audit and supervisory committee members designated by the audit and supervisory committee, and for a company with a nominating committee, etc., the audit committee members designated by the audit committee).

(Contents of Financial Audit Reports)

Article 126 (1) When receiving accounting documents, a financial auditor must

prepare a financial audit report containing the matters set forth below:

- (i) the method of the audit by financial auditor and the contents thereof;
 - (ii) when the financial auditor has an opinion on whether all of the important points regarding the status of the property and profits and losses of the relevant stock company are correctly presented in the accounting documents, that opinion (if that opinion is one of the opinions set forth respectively in the following (a) through (c), the matters as provided therein):
 - (a) unqualified opinion: the fact that the accounting documents that were the subject of the audit were in accordance with corporate accounting practices that are generally accepted as fair and appropriate, and all of the important points regarding the status of the property and profits and losses for the period concerning the accounting documents were correctly presented;
 - (b) qualified opinion with exemptions appended: the fact that the accounting documents that were the subject of the audit were, with the exception of the exempted matters, in accordance with corporate accounting practices that are generally accepted as fair and appropriate, and all of the important points regarding the status of the property and profits and losses for the period concerning the accounting documents were correctly presented, the exempted matters, and the reasons for the qualified opinion with exemptions appended;
 - (c) adverse opinion: the fact that the accounting documents that were the subject of the audit were improper, and the reason therefor;
 - (iii) when there are none of the opinions set forth in the preceding item, that fact and the reasons therefor;
 - (iv) the matters concerning explanatory notes on the going concern assumption;
 - (v) postscript information;
 - (vi) the day on which the financial audit report was prepared.
- (2) Among the matters set forth below or any other matters, the "postscript information" prescribed in item (iv) of the preceding paragraph comprises those matters for which there is a necessity to append explanations related to the judgments of the financial auditor, or matters that require emphasis among the contents of the accounting documents:
- (i) changes to accounting policies;
 - (ii) important contingent events;
 - (iii) important subsequent events.

(Contents of Audit Reports by Company Auditors in a Company with Financial Auditors)

Article 127 When receiving accounting documents and financial audit reports (in the cases prescribed in Article 130, paragraph (3), accounting documents),

company auditors in companies with financial auditor must prepare an audit report containing the matters set forth below (for audit reports by company auditors in a company with a board of company auditors, the matters set forth in item (i) through item (v)):

- (i) the method of the audit by company auditors and the contents thereof;
- (ii) when it has been found that the methods or results of an audit by a financial auditor were inappropriate, that fact and the reasons therefor (in the cases prescribed in Article 130, paragraph (3), the fact that the financial audit report has not been received);
- (iii) important subsequent events (excluding those which are in the contents of the financial audit report);
- (iv) the matters related to systems for ensuring that the performance of the duties of financial auditor is being carried out correctly;
- (v) when necessary investigations for the purposes of the audit could not be carried out, that fact and the reasons therefor;
- (vi) the day on which the audit report was prepared.

(Contents of Audit Reports by a Board of Company Auditors in a Company with Financial Auditors)

Article 128 (1) Boards of company auditors in companies with financial auditor must prepare audit reports by boards of company auditors (hereinafter referred to as "board of company auditors audit reports" in this Article) based on audit reports prepared by company auditors (hereinafter referred to as "company auditor audit reports" in this Article) pursuant to the provisions of the preceding Article.

(2) Board of company auditors audit reports must contain the matters set forth below; in such cases, if there is a difference between the contents of the board of company auditors audit report concerning those matters and the contents of company auditor audit reports by company auditors concerning those matters, can be attached the contents of the company auditor audit reports by each company auditor concerning those matters as supplementary notes to the board of company auditors audit reports:

- (i) the method of audits by company auditors and board of company auditors and the contents thereof;
- (ii) the matters set forth in item (ii) through item (v) of the preceding Article;
- (iii) the day on which the board of company auditors audit report was prepared.

(3) If a board of company auditors in a company with financial auditor is preparing a board of company auditors audit report, the board of company auditors must deliberate on the contents of the board of company auditors audit report (excluding supplementary notes under the provisions of the second sentence of the preceding paragraph) on one or more occasions, through the

method of holding a meeting or through a method whereby opinions can be exchanged in real time through the transmission of information.

(Contents of Audit Reports by Audit and Supervisory Committees)

Article 128-2 (1) when receiving accounting documents and financial audit reports (in the cases prescribed in Article 130, paragraph (3), accounting documents), audit and supervisory committees must prepare an audit report containing the matters set forth below; in such cases, if the contents of the audit report concerning those matters differ from the opinion of the audit and supervisory committee member, an audit and supervisory committee member may attach the audit and supervisory committee member's own opinion as a supplementary note to the audit report:

- (i) the method of the audit by the audit and supervisory committee and the contents thereof;
- (ii) the matters set forth in Article 127, item (ii) through item (v);
- (iii) the day on which the audit report was prepared.

(2) The contents of the audit report prescribed in the preceding paragraph (excluding supplementary notes under the second sentence of the same paragraph) must be determined by a resolution of the audit and supervisory committee.

(Contents of Audit Reports by Audit Committees)

Article 129 (1) when receiving accounting documents and financial audit reports (in the cases prescribed in paragraph (3) of the following Article, accounting documents), Audit committees must prepare an audit report containing the matters set forth below; in such cases, if the contents of the audit report concerning those matters differ from the opinion of the audit committee member, an audit committee member may attach the audit committee member's own opinion as a supplementary note to the audit report:

- (i) the method of the audit by the audit committee and the contents thereof;
- (ii) the matters set forth in Article 127, item (ii) through item (v);
- (iii) the day on which the audit report was prepared.

(2) The contents of the audit report prescribed in the preceding paragraph (excluding supplementary notes under the second sentence of the same paragraph) must be determined by a resolution of the audit committee.

(Notification Deadlines for Financial Audit Reports)

Article 130 (1) In accordance with the categories of financial audit reports set forth in the following items, a financial auditor must give notice of the contents of the relevant financial audit reports to the specified company auditor and the specified directors by the day as provided in those items:

- (i) financial audit reports on financial statements for each business year and the attached detailed statements thereof: whichever of the days set forth below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant financial statements were received;
 - (b) the day on which one week has passed from the day on which the attached detailed statements attached to the relevant financial statements were received;
 - (c) when there is a day determined through agreement between the specified directors, specified company auditor, and financial auditor, that day;
 - (ii) financial audit reports on provisional financial statements: whichever of the days set forth below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant provisional financial statements were received;
 - (b) when there is a day determined through agreement between the specified directors, specified company auditors, and financial auditor, that day;
 - (iii) financial audit reports on consolidated financial statements: the day on which four weeks have passed from the day on which all of the relevant consolidated financial statements were received (if there is a day determined through agreement between the specified directors, specified company auditors, and financial auditor, that day).
- (2) Accounting documents are deemed to have been audited by a financial auditor on the day on which the notice of the contents of a financial audit report under the provisions of the preceding paragraph has been received by the specified company auditors and specified directors.
- (3) Notwithstanding the provisions of the preceding paragraph, if the financial auditor has not given notice of the contents of a financial audit report under the provisions of paragraph (1) by the day on which notice was to be made pursuant to the provisions of the same paragraph, the day on which notice was to be made is deemed to be that on which the accounting documents were audited by the financial auditor.
- (4) The term "specified directors" prescribed in paragraph (1) and paragraph (2) means the persons as provided in the following items (if the relevant stock company is a company with accounting advisor, the persons as provided respectively therein and accounting advisor) in accordance with the categories of cases set forth therein (the same applies in Article 132):
- (i) cases where persons who are to receive notice under the provisions of paragraph (1) have been determined: the persons determined as the persons who are to receive the notice;
 - (ii) cases other than that set forth in the preceding item: directors and executive officers who performed duties related to the preparation of

accounting documents that were to be audited.

- (5) The "specified company auditors" prescribed in paragraph (1) and paragraph (2) are the persons as provided in the following items in accordance with the categories of stock company set forth therein (the same applies hereinafter in this Chapter):
- (i) company with company auditor (excluding companies with board of company auditors): the persons as provided in the following items (a) through (c) in accordance with the categories of cases set forth therein:
 - (a) where there are two or more company auditors and it has been decided which company auditor is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the company auditor determined as the company auditor who is to receive notice;
 - (b) cases where there are two or more company auditors and it has not been decided which company auditor is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): all of the company auditors;
 - (c) cases other than those set forth in (a) or (b): a company auditor;
 - (ii) company with a board of company auditors: the persons as provided in the following items (a) or (b) in accordance with the categories of cases set forth therein:
 - (a) cases where the board of company auditors has decided which company auditor is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the company auditor decided as the company auditor who is to receive notice;
 - (b) cases other than that set forth in (a): all of the company auditors;
 - (iii) company with an audit and supervisory committee: the persons as provided in (a) or (b) below in accordance with the categories of cases set forth therein:
 - (a) cases where the audit and supervisory committee has decided an audit and supervisory committee member who is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the audit and supervisory committee member decided as the audit and supervisory committee member who is to receive notice;
 - (b) cases other than that set forth in (a): any person from among the audit and supervisory committee members;
 - (iv) company with a nominating committee, etc.: the persons as provided in (a) or (b) below in accordance with the categories of cases set forth therein:
 - (a) cases where the audit committee has decided an audit committee member who is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the audit committee member decided as the audit committee member who is to receive notice;

- (b) cases other than that set forth in (a): any person from among the audit committee members.

(Matters Related to the Performance of Duties of Financial Auditors)

Article 131 A financial auditor must give notice of the matters set forth below with regard to the financial auditor, when giving notice of the contents of a financial audit report to the specified company auditors under the provisions of paragraph (1) of the preceding Article (if the determinations concerning those matters have not been made, the fact that those matters have not been determined); provided, however, that this does not apply if all of the company auditors (for a company with an audit and supervisory committee, the audit and supervisory committee, and for a company with a nominating committee, etc., the audit committee) are already aware of those matters:

- (i) the matters related to independence and any other matters related to the observance of laws and regulations and rules concerning audits;
- (ii) the matters related to the policy on the undertaking and continuance of contracts for audits, business equivalent to audits and business related thereto;
- (iii) any other matters related to systems for ensuring that the performance of the duties of financial auditor is being carried out correctly.

(Notification Deadlines for Audit Reports by Company Auditors in Companies with Financial Auditors)

Article 132 (1) Specified company auditors in companies with financial auditor must give notice of the contents of audit reports (limited to audit reports of boards of company auditors prepared pursuant to the provisions of Article 128, paragraph (1), for companies with board of company auditors, the same applies hereinafter in this Article) to the specified directors and the financial auditor by the day as provided in the following items in accordance with the categories of audit reports set forth therein:

- (i) audit reports on accounting documents that are not consolidated financial statements: whichever of the days set forth below is the latest:
 - (a) the day on which one week has passed from the day on which the financial audit report was received (in the cases prescribed in Article 130, paragraph (3), the day which was deemed to be that on which the audit was carried out pursuant to the provisions of the same paragraph; the same applies in the following item);
 - (b) when there is a day determined through agreement between the specified directors and specified company auditors, that day; or
- (ii) audit reports on consolidated financial statements: the day on which one week has passed from the day on which the financial audit report was

received (if there is a day determined through agreement between the specified directors and specified company auditors, that day).

- (2) Accounting documents are deemed to have been audited by company auditors (for a company with an audit and supervisory committee, the audit and supervisory committee, and for a company with a nominating committee, etc., the audit committee) on the day on which the notice of the contents of the audit report under the provisions of the preceding paragraph was received by the specified directors and financial auditor.
- (3) Notwithstanding the provisions of the preceding paragraph, if the specified company auditors have not given notice of the contents of an audit report under the provisions of paragraph (1) by the day on which notice was to be made pursuant to the provisions of the same paragraph, the day on which notice was to be made is deemed to be the day on which the accounting documents were audited by the company auditors (for a company with an audit and supervisory committee, the audit and supervisory committee, and for a company with a nominating committee, etc., the audit committee).

**Part V Provision to Shareholders of Financial Statements, and Requirements
Related to the Special Provisions on Approval of Financial Statements
Chapter I Provision to Shareholders of Financial Statements**

(Provision of Financial Statements)

Article 133 (1) The provision of provided financial statements (meaning as provided in the following items in accordance with the categories of stock companies set forth therein; the same applies hereinafter in this Article) to shareholders pursuant to the provisions of Article 437 of the Act is to be governed by this Article:

- (i) stock companies (excluding companies with company auditor (including stock companies which have provisions in their articles of incorporation restricting the scope of audits by company auditor to matters related to accounting, the same applies in the following item) and companies with financial auditor): financial statements;
- (ii) companies with company auditor other than a company with financial auditor: that which is set forth below:
- (a) financial statements;
- (b) when there is an audit report by company auditor (in companies with a board of company auditors, the board of company auditors) concerning the financial statements, that audit report (if the contents (other than the day of preparation of the audit report) of the audit reports by each company auditor in a stock company (excluding companies with board of company auditors) which has two or more company auditors is the same, one or two

- or more audit reports by company auditors);
- (c) when it has been deemed that an audit has been carried out pursuant to the provisions of Article 124, paragraph (3), a document or electronic or magnetic record stating or recording that fact;
- (iii) companies with financial auditor: that which is set forth below:
 - (a) financial statements;
 - (b) when there is a financial audit report concerning the financial statements, that financial audit report;
 - (c) when there is no financial auditor (excluding the cases where there is a person who is to temporarily perform the duties of a financial auditor as set forth in Article 346, paragraph (4) of the Act), a document or electronic or magnetic record stating or recording that fact;
 - (d) when it has been deemed that an audit has been carried out pursuant to the provisions of Article 130, paragraph (3), a document or electronic or magnetic record stating or recording that fact;
 - (e) when there is an audit report by a company auditor (for a company with a board of company auditors, the board of company auditors, for a company with an audit and supervisory committee, the audit and supervisory committee, and for a company with a nominating committee, etc., the audit committee) concerning the financial statements, the audit report (if the contents of the audit reports (other than the day of preparation of the audit report) by each company auditor in a stock company (excluding companies with a board of company auditors) which has two or more company auditors is the same, one or two or more audit reports by company auditors);
 - (f) when it has been deemed that an audit has been carried out pursuant to the provisions of paragraph (3) of the preceding Article, a document or electronic or magnetic record stating or recording that fact.
- (2) If notices of calling of an annual shareholders meeting (meaning the notice under the provisions of Article 299, paragraph (2) or paragraph (3) of the Act; the same applies hereinafter) are dispatched by a method set forth respectively in the following items, the provided financial statements must be provided by the method as provided therein:
 - (i) provision of documents: the method as provided in the following item (a) or
 - (b) in accordance with the categories of cases set forth therein:
 - (a) cases where the provided financial statements are prepared in the form of a document: the provision of other documents stating the matters stated in the relevant document;
 - (b) cases where the provided financial statements are prepared in the form of electronic or magnetic records: the provision of documents stating the matters recorded in the electronic or magnetic records;

- (ii) provision by electronic or magnetic means: a method as provided in the following item (a) or (b) in accordance with the categories of cases set forth therein:
 - (a) cases where the provided financial statements are prepared in the form of a document: provision by electronic or magnetic means of the matters stated in that document;
 - (b) cases where the provided financial statements are prepared in the form of electronic or magnetic records: provision by electronic or magnetic means of the matters recorded in the electronic or magnetic records.
- (3) Matters that were to be presented in the balance sheet, profit and loss statement or statements of changes in shareholders' equity, etc. for a business year prior to the relevant business year (hereinafter referred to as "matters in past business year" in this paragraph) may be jointly provided with the provided financial statements. In such cases, when the matters in past business year at the time of their provision with the provided financial statements differ from what was approved or reported at the annual shareholders meeting for a business year prior to that business year due to a change of accounting policies or other justifiable reasons, the provision of the matters in past business year after revision is not precluded.
- (4) With regard to the application of the provisions of paragraph (2), if measures are being taken to make information concerning matters that are to be presented in the provided financial statements (limited to those concerning the statements of changes in shareholders' equity, etc. or the tables of explanatory notes on unconsolidated financial statements) available to the shareholders continually by electronic or magnetic means (among the methods set forth in Article 222, paragraph (1), item (i), (b) of the Regulations for Enforcement of the Companies Act, limited to those that work by utilizing an automatic public transmission server (meaning a server with a function that automatically transmits to the public information recorded on a part of its recording media which is for use in automatic public transmission, or information that has been input to the server, and which transmits such information through its connection to a telecommunications line for public use; the same applies hereinafter in this Chapter) connected to the internet; the same applies in paragraph (8)) from the time of release of the notices of calling of an annual shareholders meeting to the day on which three months have passed from the day of that annual shareholders meeting, those matters are deemed to have been provided to the shareholders by the methods as provided in the items of the same paragraph in accordance with the categories of cases set forth therein; provided, however, that this only applies if there are provisions in the articles of incorporation on the implementation of the measures referred to in this paragraph.

- (5) In the cases of the preceding paragraph, the directors must notify the shareholders of the letters and symbols or any other code or combination thereof that are used to identify, on the internet, the part of the server that is being used for the purpose of undertaking the relevant measures from among automatic public transmission servers that are utilized for measures as set forth in that paragraph, and that allow the person to whom information is being provided to inspect the contents of the information and record the information in a computer file after directly inputting those letters, symbols, or codes into the computer the person is using.
- (6) If part of the matters presented in the financial statements have been deemed to have been provided to shareholders through the methods as provided in the respective items of paragraph (2) pursuant to the provisions of paragraph (4), when the company auditor, financial auditor, audit and supervisory committee, or audit committee have requested the directors to notify the shareholders that the financial statements actually provided to the shareholders are one part of the financial statements audited at the preparation of an audit report or financial audit report, the directors must notify the shareholders of that fact.
- (7) With respect to matters that are to be the contents of the financial statements, if a situation has arisen that is to be corrected in the interval from the day of release of the notice of calling of an annual shareholders meeting to the day prior to that annual shareholders meeting, the directors may jointly give notice of the notice of calling and of a method that disseminates to shareholders the matter after correction.
- (8) The provisions of paragraph (4) do not preclude taking measures to also make information concerning the matters to be presented in the provided financial statements other than those concerning the statements of changes in shareholders' equity, etc. or the tables of explanatory notes on unconsolidated financial statements available for provision to shareholders by electronic or magnetic means.

(Special Provisions on Provision of Financial Statements)

Article 133-2 (1) Notwithstanding the provisions of paragraph (4) of the preceding Article, if the directors of a stock company perform the procedures to call an annual shareholders meeting, information concerning matters that are to be presented in the provided financial statements (meaning the provided financial statements prescribed in paragraph (1) of that Article; hereinafter the same applies in this Article) with regard to the application of the provisions of the paragraph (2) of the preceding Article in cases where measures are taken to make information concerning particulars to be indicated in the provided financial statements available for provision to shareholders continuously by electronic or magnetic means from the time of dispatch of the notice of

convocation in relation to the annual shareholder meeting until the date on which three months have elapsed from the date of the annual shareholder meeting (of the means set forth in Article 222, paragraph (1), item (i), (b) of the Regulations for Enforcement of the Companies Act, limited to those performed by means of using an automatic public transmission server connected to the internet), the particulars are deemed to have been provided to shareholders by the means prescribed in the following items, in accordance with the categories of the cases set forth in each item of the same paragraph with respect to the particulars; provided, however, that this is limited to cases falling under all of the following items:

- (i) that the articles of incorporation contain provisions for taking the measures prescribed in paragraph (4) of the preceding Article;
 - (ii) that the matters as provided in Article 126, paragraph (1), item (ii), (a) are included in the contents of financial audit reports on the provided financial statements and annexed detailed statements (hereinafter referred to in item (v) as the "provided financial statements, etc.");
 - (iii) that there is no opinion finding a lack of suitability in the methods or results of an audit by a financial auditor that forms the contents of an audit report by company auditors, board of company auditors, audit and supervisory committee, or audit committee (for companies with a board of company auditors, limited to an audit report by a board of company auditors prepared pursuant to the provisions of Article 128, paragraph (1)) concerning the financial audit report set forth in the preceding item;
 - (iv) that the contents of supplementary notes attached to an audit report by the board of company auditors, audit and supervisory committee, or audit committee concerning the financial audit report set forth in item (ii) pursuant to the provisions of the second sentence of paragraph (2) of Article 128, the second sentence of Article 128-2, paragraph (1), or the second sentence of paragraph (1) of Article 129, are not the opinion set forth in the preceding item;
 - (v) that it is not deemed that the provided financial statements, etc. have been audited pursuant to the provisions of Article 132, paragraph (3);
 - (vi) that a board of directors has been established.
- (2) In the cases of the preceding paragraph, the directors must notify the shareholders of the letters and symbols or any other code or combination thereof that is used to identify on the internet the part of the server that is being used for the purpose of undertaking the relevant measures from among automatic public transmission servers that are utilized for measures as set forth in that paragraph, and that allow the person to whom information is being provided to inspect the contents of the information and record the information in a computer file after directly inputting those letters, symbols, or

codes into the computer the person is using.

- (3) If the matters that are to be presented in the provided financial statements have been deemed to have been provided to shareholders through the methods as provided in the respective items of paragraph (2) of the preceding Article pursuant to the provisions of paragraph (1), and the company auditors, financial auditors, audit and supervisory committee, or audit committee have requested the directors to notify the shareholders that the financial statements actually provided to the shareholders are one part of the financial statements audited at the preparation of an audit report or financial audit report, the directors must notify the shareholders of that fact.
- (4) If the directors take the measures prescribed in paragraph (1) regarding information concerning matters that are to be presented in the provided financial statements (excluding matters to be presented in the provided financial statements prescribed in paragraph (4) of the preceding Article), consideration must be given to avoiding causing unjust harm to the interests of shareholders.

(Provision of Consolidated Financial Statements)

Article 134 (1) If consolidated financial statements are provided to shareholders pursuant to the provisions of Article 444, paragraph (6) of the Act, the consolidated financial statements must be provided by the methods specified respectively in the following items, when the notice of calling of the annual shareholders meeting is given through the methods set forth therein:

- (i) provision of documents: the method as provided in the following item (a) or (b) in accordance with the categories of cases set forth therein:
- (a) cases where the consolidated financial statements are prepared in the form of a document: the provision of other documents stating the matters stated in the relevant document;
- (b) cases where the consolidated financial statements are prepared in the form of electronic or magnetic records: the provision of documents stating the matters recorded in the electronic or magnetic records;
- (ii) provision by electronic or magnetic means: the method as provided in the following item (a) or (b) in accordance with the categories of cases set forth therein:
- (a) cases where the consolidated financial statements are prepared in the form of a document: provision by electronic or magnetic means of the matters stated in the document;
- (b) cases where the consolidated financial statements are prepared in the form of electronic or magnetic records: provision by electronic or magnetic means of the matters recorded in the electronic or magnetic records.
- (2) If there is a financial audit report or an audit report concerning the

consolidated financial statements set forth in the preceding paragraph with regard to the application of the provisions of the same paragraph if it has been determined that the contents of the financial audit report or audit report are also provided to the shareholders, the term "consolidated financial statements" in item (i), (a) and (b), and item (ii), (a) and (b) of the same paragraph is to read "consolidated financial statements (including financial audit reports and audit reports concerning the consolidated financial statements)".

- (3) When providing consolidated financial statements, matters that were to be presented in the consolidated balance sheet, consolidated profit and loss statement or consolidated statements of changes in shareholders' equity, etc. for a consolidated fiscal year prior to the relevant consolidated fiscal year (hereinafter referred to as "matters in past business year" in this paragraph) may be jointly provided. In such cases, when the matters in a past business year at the time of provision of the consolidated financial statements differ from what was approved or reported at the annual shareholders meeting for a business year corresponding to the consolidated fiscal year prior to the relevant consolidated fiscal year due to a change of accounting policies or other justifiable reasons, the provision of the matters in past business year after revision is not precluded.
- (4) With regard to the application of the provisions of paragraph (1) if measures are being taken to make information concerning matters that are to be presented in the consolidated financial statements (including financial audit reports and audit reports concerning the consolidated financial statements, in the cases prescribed in paragraph (2)) available to the shareholders continually by electronic or magnetic means (limited to those, among the methods set forth in Article 222, paragraph (1), item (i), (b) of the regulations for enforcement of the Companies Act that work by utilizing an automatic public transmission server connected to the internet) for the period from the time of release of the notice of calling of an annual shareholders meeting to the day on which three months have passed from the day of that annual shareholders meeting, those matters are deemed to have been provided to the shareholders by the methods as provided in the items of the same paragraph in accordance with the categories of cases set forth therein; provided, however, that this only applies if there are provisions in the articles of incorporation on the taking of the measures set forth in this paragraph.
- (5) In the cases set forth in the preceding paragraph, the directors must notify the shareholders of the letters and symbols or any other code or combination thereof that is used to identify on the internet the part of the server that is being used for the purpose of undertaking the relevant measures from among automatic public transmission servers that are utilized for measures as set forth in that paragraph, and that allow the person to whom information is

being provided to inspect the contents of the information and record the information in a computer file after directly inputting those letters, symbols, or codes into the computer the person is using.

- (6) If part of the matters presented in the consolidated financial statements have been deemed to have been provided to shareholders through the methods as provided respectively in the items of paragraph (1) pursuant to the provisions of paragraph (4), when the company auditor, financial auditor, audit and supervisory committee, or audit committee have requested the directors to notify the shareholders that the consolidated financial statements actually provided to the shareholders are one part of the consolidated financial statements audited at the preparation of an audit report or financial audit report, the directors must notify the shareholders of that fact.
- (7) If a situation, with respect to matters that are to be the contents of the consolidated financial statements has arisen that is to be corrected in the interval from the day of release of the notice of calling of an annual shareholders meeting to the day prior to that annual shareholders meeting, the directors may jointly give notice of the notice of calling and a method that disseminates to shareholders the matter after correction.

Chapter II Requirements Related to the Special Provisions on Approval of Financial Statements

Article 135 The requirements prescribed by Ministry of Justice Order, as mentioned in Article 439 and Article 441, paragraph (4) of the Act (hereinafter referred to as "special provisions on approval" in this Article), are that all of the following requirements are met (excluding item (iii) in stock companies that are companies with company auditor but not companies with board of auditors):

- (i) that the matters as provided in Article 126, paragraph (1), item (ii), (a) (if the relevant accounting documents are provisional financial statements, including matters corresponding to those matters) are included in the contents of financial audit reports on the accounting documents prescribed in the special provisions on approval;
- (ii) that there is no opinion finding a lack of suitability in the methods or results of an audit by financial auditor that forms the contents of an audit report by company auditors, board of company auditors, audit and supervisory committee, or audit committee (for companies with a board of company auditors, limited to an audit report by board of company auditors prepared pursuant to the provisions of Article 128, paragraph (1)) concerning the financial audit report set forth in the preceding item;
- (iii) that the contents of supplementary notes attached to an audit report by a

board of company auditors, audit and supervisory committee, or audit committee concerning the financial audit report set forth in item (i) pursuant to the provisions of the second sentence of paragraph (2) of Article 128, the second sentence of Article 128-2, paragraph (1), or the second sentence of paragraph (1) of Article 129, are not the opinion set forth in the preceding item;

- (iv) that it is not deemed that accounting documents prescribed in the special provisions on approval have been audited pursuant to the provisions of Article 132, paragraph (3);
- (v) that a board of directors has been established.

Part VI Public Notice of Financial Statements

Chapter I Public Notice of Financial Statements

Article 136 (1) If a stock company provides public notice under the provisions of Article 440, paragraph (1) of the Act (including measures pursuant to the provisions of paragraph (3) of the same Article; the same applies hereinafter in this paragraph), it must make known the following matters in the public notice; in such cases, the matters set forth in item (i) through item (vii) are to be limited to notes presented in the tables of explanatory notes on unconsolidated financial statements for the relevant business year:

- (i) explanatory notes on the going concern assumption;
 - (ii) explanatory notes on important matters concerning accounting policies;
 - (iii) explanatory notes on the balance sheet;
 - (iv) explanatory notes on tax effect accounting;
 - (v) explanatory notes on transactions with affiliated parties;
 - (vi) explanatory notes on per share information;
 - (vii) explanatory notes on important subsequent events;
 - (viii) the amount of net profit or loss for the current period.
- (2) If a stock company provides public notice of its profit and loss statement pursuant to the provisions of Article 440, paragraph (1) of the Act, with regard to the application of the provisions of the preceding paragraph, the term "the following matters" in the same paragraph is to read as "the matters set forth in item (i) through item (vii)".
- (3) The provisions of the preceding paragraph apply mutatis mutandis if a stock company takes the measures prescribed in Article 440, paragraph (3) of the Act with regard to information contained in the profit and loss statement.

Chapter II Public Notice of Summaries of Financial Statements

Section 1 General Provisions

Article 137 The summary of a balance sheet and the summary of a profit and loss statement if public notice of the summary of a balance sheet or the summary of a profit and loss statement is made pursuant to the provisions of Article 440, paragraph (2) of the Act are to be governed by this Chapter.

Section 2 Balance Sheet Summaries

(Categories in the Summary of Balance Sheet)

Article 138 The summary of a balance sheet must be categorized into the sections set forth below:

- (i) assets;
- (ii) liabilities;
- (iii) net assets.

(Section on Assets)

Article 139 (1) The section on assets must be categorized into the entries listed set forth below:

- (i) current assets;
 - (ii) fixed assets;
 - (iii) deferred assets.
- (2) Each entry in the section on assets can be subdivided into appropriate entries.
- (3) The entries concerning fixed assets in the summary of the balance sheet of a public company must be categorized into the entries set forth below:
- (i) tangible fixed assets;
 - (ii) intangible fixed assets;
 - (iii) investments and other assets.
- (4) Each entry in the section on assets in the summary of the balance sheet of a public company must be subdivided into important suitable entries for the purposes of making clear the status of the property of the public company.
- (5) Each entry in the section on assets must have an appropriate title given which indicates the asset concerning the entry.

(Section on Liabilities)

Article 140 (1) The section on liabilities must be categorized into the entries set forth below:

- (i) current liabilities;
 - (ii) fixed liabilities.
- (2) If there are allowances concerning liabilities, the allowances must be separately categorized from any other liabilities.
- (3) Each entry in the section on liabilities can be subdivided into appropriate entries.

- (4) Each entry in the section on liabilities in the summary of the balance sheet of a public company must be subdivided into important suitable entries for the purposes of making clear the status of the property of the public company.
- (5) Each entry in the section on liabilities must have an appropriate title given to it which displays the liability concerning the entry.

(Section on Net Assets)

Article 141 (1) The section on net assets must be categorized into the entries set forth below:

- (i) shareholders' equity;
 - (ii) valuation and translation differences;
 - (iii) share options.
- (2) The entries concerning shareholders' equity must be categorized into the entries set forth below; in such cases, the entry set forth in item (v) is a deduction:
 - (i) stated capital;
 - (ii) deposits for subscriptions to shares;
 - (iii) capital surplus;
 - (iv) retained earnings;
 - (v) treasury shares;
 - (vi) deposits for subscriptions to treasury shares.
 - (3) The entries concerning capital surplus must be categorized into the entries set forth below:
 - (i) capital reserves;
 - (ii) other capital surplus.
 - (4) The entries concerning retained earnings must be categorized into the entries set forth below:
 - (i) retained earnings reserves;
 - (ii) other retained earnings.
 - (5) The entries set forth in item (ii) of paragraph (3) and item (ii) of the preceding paragraph can be subdivided into entries with appropriate titles.
 - (6) The entries concerning valuation and translation differences must be subdivided into the following entries and any other entries with appropriate titles:
 - (i) other securities valuation difference;
 - (ii) deferred gains or losses on hedges;
 - (iii) land revaluation difference.

(Supplementary Matters to Be Appended to the Summary of a Balance Sheet)

Article 142 The amount of net profit or loss for the current period must be attached as supplementary notes to the summary of a balance sheet; provided,

however, that this does not apply if public notice is given of the summary of a profit and loss statement pursuant to the provisions of Article 440, paragraph (2) of the Act.

Section 3 Summaries of Profit and Loss Statements

Article 143 (1) The summary of a profit and loss statement must be categorized into the entries set forth below:

- (i) net sales;
 - (ii) cost of sales;
 - (iii) the amount of gross profit or the amount of gross loss;
 - (iv) selling expenses, and general and administrative expenses;
 - (v) non-operating revenues;
 - (vi) non-operating expenses;
 - (vii) extraordinary gains;
 - (viii) extraordinary losses.
- (2) Notwithstanding the provisions of the preceding paragraph, when the amounts in the entries set forth in item (v) or item (vi) of the same paragraph are not important, those entries are not categorized, and any difference can be categorized as non-operating profit and loss.
- (3) Notwithstanding the provisions of paragraph (1), when the amounts in the entries set forth in item (vii) or item (viii) of the same paragraph are not important, those entries are not categorized, and any difference can be categorized as extraordinary gains and losses.
- (4) Each entry in the summary of a profit and loss statement can be subdivided into appropriate entries.
- (5) Each entry in the summary of a profit and loss statement must be subdivided into important suitable entries, when necessary for the purposes of making clear the status of the profit and loss of the stock company.
- (6) Each entry in the summary of a profit and loss statement must have an appropriate title given to it that displays the profit or loss concerning the entry.
- (7) If the amounts set forth respectively in the following items exist, those amounts must be presented as that which is as provided therein; provided, however, that if an amount set forth respectively in the following items (except amounts set forth in item (ix) and item (x)) is less than zero, the amount obtained by subtracting the relevant amount from zero must be presented as that which is as provided therein:
- (i) the amount of gross profit and loss (limited to amounts equal to or greater than zero): the amount of gross profit;
 - (ii) the amount of gross profit and loss (limited to amounts less than zero): the amount of gross loss;

- (iii) the amount of operating profit and loss (limited to amounts equal to or greater than zero): the amount of operating profit;
- (iv) the amount of operating profit and loss (limited to amounts less than zero): the amount of operating loss;
- (v) the amount of ordinary profit and loss (limited to amounts equal to or greater than zero): the amount of ordinary profit;
- (vi) the amount of ordinary profit and loss (limited to amounts less than zero): the amount of ordinary loss;
- (vii) the amount of net profit and loss before taxation (limited to amounts equal to or greater than zero): the amount of net profit before taxation;
- (viii) the amount of net profit and loss before taxation (limited to amounts less than zero): the amount of net loss before taxation;
- (ix) corporation tax, etc. for the relevant business year: an entry with a title indicating that content;
- (x) the amount of corporation tax adjustment: an entry with a title indicating that content;
- (xi) the amount of net profit or loss for the current period (limited to amounts equal to or greater than zero): the amount of net profit for the current period;
- (xii) the amount of net profit or loss for the current period (limited to amounts less than zero): the amount of net loss for the current period.

Section 4 Miscellaneous Provisions

(Measurement Units for Presentation of Amounts)

Article 144 (1) Amounts for matters concerning the summary of a balance sheet or the summary of a profit and loss statement are to be presented in units of 1,000,000 yen or 1,000,000,000 yen.

(2) Notwithstanding the provisions of the preceding paragraph, if there is the risk that it will become impossible to precisely judge the state of the property or the profit and loss of a stock company, amounts for matters concerning the summary of a balance sheet or the summary of a profit and loss statement must be presented in appropriate units.

(Language of Presentation)

Article 145 The summary of a balance sheet and the summary of a profit and loss statement are to be presented in Japanese; provided, however, that this does not apply if presentation in another language is not unreasonable.

(Appendix-Listed Business)

Article 146 With regard to matters that are to be presented in the summary of a balance sheet or the summary of a profit and loss statement to be given in a

public notice by a company undertaking appendix-listed business, if it is necessary and appropriate for clarifying the status of the property and profits and losses of the company undertaking appendix-listed business, notwithstanding the provisions of the preceding two sections, this can be presented separately in the appropriate sections or entries.

Chapter III Miscellaneous Provisions

(Method of Disclosure of Balance Sheets, Etc. Through Electronic or Magnetic Means)

Article 147 Measures taken under the provisions of Article 440, paragraph (3) of the Act must be conducted through: among the methods set forth in Article 222, paragraph (1), item (i), (b) of the Regulations for Enforcement of the Companies Act, a method that utilizes an automatic public transmission server (meaning a server with a function that automatically transmits to the public information recorded on a part of its recording media which is for use in automatic public transmission, or information that has been input to the server, and which transmits such information through its connection to a telecommunications line for public use) connected to the internet.

(Matters Given by Public Notice If There Is an Adverse Opinion)

Article 148 In cases falling under any of the items set forth below, when a company with financial auditor gives public notice under the provisions of Article 440, paragraph (1) or paragraph (2) of the Act (including the measures prescribed in paragraph (3) of the same Article, hereinafter the same applies in this Article), the matters as provided respectively in each relevant item must be clarified in the public notice:

- (i) cases where there is no financial auditor (excluding cases where there is a person temporarily performing the duties of a financial auditor as referred to in Article 346, paragraph (4) of the Act): the fact that there is no financial auditor;
- (ii) cases where it has been deemed that an audit has been carried out pursuant to the provisions of Article 130, paragraph (3): that fact;
- (iii) cases where there is an adverse opinion in the financial audit report regarding the financial statements concerning the public notice: that fact;
- (iv) cases where the matters set forth in Article 126, paragraph (1), item (iii) are contained in the financial audit report regarding the financial statements concerning the public notice: that fact.

Part VII Matters Related to Figures in Accounting for Stock Companies **Chapter I Amount of Surplus in a Stock Company**

(Amount of Deductions on the Last Day of the Most Recent Business Year)

Article 149 The sum of the amounts recorded under each account title prescribed by Ministry of Justice Order, as mentioned in Article 446, item (i), (e) of the Act, is the amount obtained by subtracting the sum of the amounts set forth in item (ii) through item (iv) from the amount set forth in item (i):

- (i) the sum of the amounts set forth in Article 446, item (i), (a) and (b) of the Act;
- (ii) the sum of the amounts set forth in Article 446, item (i), (c) and (d) of the Act;
- (iii) the amount of other capital surplus;
- (iv) the amount of other retained earnings.

(Amount of Deductions Arising after the Last Day of the Most Recent Business Year)

Article 150 (1) The sum of the amounts recorded under each account title prescribed by Ministry of Justice Order, as mentioned in Article 446, item (vii) of the Act, is the amount obtained by subtracting the sum of the amounts set forth in item (v) and item (vi) from the sum of the amounts set forth in item (i) through item (iv):

- (i) the amount of the relevant reduction if the amount of stated capital or the amount of reserves is increased by reducing the amount of surplus after the last day of the most recent business year;
- (ii) the amounts set forth in Article 23, item (i), (b) and item (ii), (b) if dividends from surplus are paid after the last day of the most recent business year;
- (iii) the amount set forth in Article 446, item (ii) of the Act concerning treasury shares disposed of by a stock company at the performance of an act of acceptance related to absorption-type restructuring after the last day of the most recent business year;
- (iv) the amount of the relevant reduction if the amount of surplus is reduced at the time of an absorption-type company split or Incorporation-type company split by a stock company that is to become a company splitting in an absorption-type split or a company splitting in an incorporation-type split after the last day of the most recent business year;
- (v) the sum of the amounts set forth below concerning acts of acceptance related to absorption-type restructuring if a stock company performs the acts of acceptance related to absorption-type restructuring after the last day of the most recent business year:
 - (a) the amount obtained by subtracting the amount of other capital surplus of the stock company immediately prior to the relevant absorption-type

- restructuring from the amount of other capital surplus of the stock company after the relevant absorption-type restructuring;
- (b) the amount obtained by subtracting the amount of other retained earnings of the stock company immediately prior to the relevant absorption-type restructuring from the amount of other retained earnings of the stock company after the relevant absorption-type restructuring;
- (vi) the amount of other capital surplus increased pursuant to the provisions of Article 21 after the last day of the most recent business year.
- (2) Notwithstanding the provisions of the preceding paragraph, the sum of the amounts recorded under each account title prescribed by Ministry of Justice Order, as mentioned in Article 446, item (vii) of the Act in a stock company which does not have a most recent business year is the amount obtained by subtracting the sum of the amounts set forth in item (vi) through item (xii) from the sum of the amounts set forth in item (i) through item (v):
- (i) the book value of treasury shares if the treasury shares are cancelled pursuant to the provisions of Article 178, paragraph (1) of the Act after the day of formation (for that company which has become a stock company pursuant to laws and regulations other than the Act, the day on which the stock company became a stock company; the same applies hereinafter in this paragraph);
- (ii) the amounts set forth in Article 446, item (vi) of the Act concerning the payment of dividends from surplus if the dividends from surplus are paid after the day of formation;
- (iii) the amount of the relevant reduction if the amount of stated capital or the amount of reserves is increased by reducing the amount of surplus after the day of formation;
- (iv) the amounts set forth in Article 23, item (i), (b) and item (ii), (b) if dividends from surplus are paid after the day of formation;
- (v) the amount of the relevant reduction if the amount of surplus is reduced at the time of absorption-type company split or incorporation-type company split by a stock company that is to become a company splitting in an absorption-type split or a company splitting in an incorporation-type split after the day of formation;
- (vi) the amount of other capital surplus on the day of formation;
- (vii) the amount of other retained earnings on the day of formation;
- (viii) the amount obtained by subtracting the book value of the relevant treasury shares from the amount of consideration for the relevant treasury shares if treasury shares are disposed of after the day of formation (excluding the cases where treasury shares are disposed of at the performance of an act of acceptance related to absorption-type restructuring);
- (ix) the amount of the relevant reduction if the amount of stated capital is

- reduced after the day of formation (excluding the amount set forth in Article 447, paragraph (1), item (ii) of the Act);
- (x) the amount of the relevant reduction if the amount of reserves is reduced after the day of formation (excluding the amount set forth in Article 448, paragraph (1), item (ii) of the Act);
 - (xi) the sum of the amounts set forth below concerning the relevant absorption-type restructuring if a stock company performs acts of acceptance related to absorption-type restructuring after the day of formation:
 - (a) the amount obtained by subtracting the amount of other capital surplus of the stock company immediately prior to the relevant absorption-type restructuring from the amount of other capital surplus of the stock company after the relevant absorption-type restructuring;
 - (b) the amount obtained by subtracting the amount of other retained earnings of the stock company immediately prior to the relevant absorption-type restructuring from the amount of other retained earnings of the stock company after the relevant absorption-type restructuring;
 - (xii) the amount of other capital surplus increased pursuant to the provisions of Article 21 after the day of formation.
- (3) If a membership company has become a stock company after the last day of the most recent business year, the sum of the amount of other capital surplus and the amount of other retained earnings of the stock company on the day on which it has become a stock company is deemed to be the amount of surplus on the last day of the most recent business year.

Chapter II Reductions in the Amount of Stated Capital

(Amount of Deficit)

Article 151 The method prescribed by Ministry of Justice Order, as mentioned in Article 449, paragraph (1), item (ii) of the Act, is that of recognizing the amount of deficit as being whichever of the amounts set forth below is the highest:

- (i) zero;
- (ii) the amount obtained by subtracting the distributable amount from zero.

(Matters Related to Financial Statements)

Article 152 What is prescribed by Ministry of Justice Order as mentioned in Article 449, paragraph (2), item (ii) of the Act is as provided in the following items in accordance with the categories of cases set forth therein on whichever day of the public notice under the provisions of the same paragraph is the earliest, or the day of the demand under the provisions of the same paragraph:

- (i) cases where a company subject to public notice (meaning the stock company

set forth in Article 449, paragraph (2), item (ii) of the Act; the same applies hereinafter in this Article) gives public notice pursuant to the provisions of Article 440, paragraph (1) or paragraph (2) of the Act of its balance sheet for the most recent business year or a summary of the same: what is set forth below:

- (a) when giving public notice in the Official Gazette, the date of the gazette and the page on which the public notice is published;
- (b) when giving public notice in a daily newspaper that publishes matters on current affairs, the name of the daily newspaper, the date and the page on which the public notice is published;
- (c) when giving public notice through electronic public notice, the matters set forth in Article 911, paragraph (3), item (xxviii), (a) of the Act;
- (ii) cases where a company subject to public notice takes measures prescribed in Article 440, paragraph (3) of the Act with respect to the balance sheet for the most recent business year: the matters set forth in Article 911, paragraph (3), item (xxvi) of the Act;
- (iii) If a company subject to public notice is the stock company prescribed in Article 440 paragraph (4) of the Act, cases where the stock company submits securities reports concerning the most recent business year pursuant to the provisions of Article 24, paragraph (1) of the Financial Instruments and Exchange Act: that fact;
- (iv) cases where the provisions of Article 440 of the Act do not apply to a company subject to public notice, pursuant to the provisions of Article 28 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (Act no. 87 of 2005): that fact;
- (v) cases where the company subject to public notice does not have a most recent business year: that fact;
- (vi) cases other than those set forth in the preceding items: the contents of the summary of the balance sheet concerning the most recent business year under the provisions of Chapter II of the preceding Part.

Chapter III Appropriation of Surplus

Article 153 (1) The matters prescribed by Ministry of Justice Order as mentioned in the second sentence of Article 452 of the Act are the matters set forth below concerning the appropriation of surplus prescribed in the first sentence of the same Article (excluding appropriation of surplus if the amount concerning the entry for surplus is to be increased or reduced without a resolution at the shareholders meeting set forth in the first sentence of the same Article):

- (i) entries for increased surplus;

- (ii) entries for reduced surplus;
 - (iii) the amount concerning each entry for surplus appropriated.
- (2) The "cases where the amount concerning the entry for surplus is to be increased or reduced without a resolution at the shareholders meeting" prescribed in the preceding paragraph are the cases set forth below:
- (i) cases where the amount concerning the entry for surplus is to be increased or reduced pursuant to the provisions of laws and regulations or the articles of incorporation (excluding the provisions of Article 452 of the Act, and provisions that govern matters associated with resolutions at the shareholders meeting set forth in the first sentence of the same Article (if there are provisions in the articles of incorporation as set forth in Article 459 of the Act, including the board of directors; the same applies hereinafter in this paragraph));
 - (ii) cases where the amount concerning the entry for the relevant surplus is to be increased or reduced without a resolution at the shareholders meeting set forth in the first sentence of Article 452 of the Act, if an amount concerning the entry for surplus has been increased or reduced pursuant to a resolution at the shareholders meeting set forth in the first sentence of Article 452 of the Act, in accordance with the provisions of the resolution.

Chapter IV Right to Demand Distribution of Money upon Payment of Dividends from Surplus

Article 154 The method prescribed by Ministry of Justice Order as mentioned in Article 455, paragraph (2), item (i) of the Act is that of recognizing the value of the dividend property as being whichever of the amounts set forth below is the highest:

- (i) the most recent value in the market in which the relevant dividend property is being transacted on the last day of the period set forth in Article 454, paragraph (4), item (i) of the Act (hereinafter referred to in this Article as the "exercise deadline date") (if there is no sales transaction on the exercise deadline date, or if the exercise deadline date falls on a holiday for the relevant market, the execution price of the first sales transaction after that point);
- (ii) on the exercise deadline date, when the relevant dividend property is the subject of a tender offer, etc., the value of the relevant dividend property in the contract concerning the tender offer, etc. on the exercise deadline date.

Chapter V Requirements Related to the Special Provisions on Bodies That Decide Distributions of Surplus

Article 155 The requirements prescribed by Ministry of Justice Order, as mentioned in Article 459, paragraph (2) and Article 460, paragraph (2) of the Act (hereinafter referred to as the "special provisions on distribution" in this Article) are that all of the following requirements are met:

- (i) that the matters as provided in Article 126, paragraph (1), item (ii), (a) are included in the contents of financial audit reports on the financial statements prescribed in the special provisions on distribution;
- (ii) that there is no opinion finding a lack of suitability in the methods or results of an audit by a financial auditor that forms the contents of an audit report by a board of company auditors, audit and supervisory committee, or audit committee concerning the financial audit report set forth in the preceding item;
- (iii) that that the contents of supplementary notes attached to an audit report by a board of company auditors, audit and supervisory committee, or audit committee concerning the financial audit report set forth in item (i) pursuant to the provisions of the second sentence of paragraph (2) of Article 128, the second sentence of Article 128-2, paragraph (1), or the second sentence of paragraph (1) of Article 129, are not the opinion set forth in the preceding item;
- (iv) that it is not deemed that accounting documents prescribed in the special provisions on distribution have been audited pursuant to the provisions of Article 132, paragraph (3).

Chapter VI Distributable Amounts

(Amount of Profit in Provisional Financial Statements)

Article 156 The sum of the amounts recorded under each account title prescribed by Ministry of Justice Order, as mentioned in Article 461, paragraph (2), item (ii), (a) of the Act, is to be the amount of net profit or loss for the current period recorded in the profit and loss statement in the provisional financial statements (limited to amounts equal to or greater than zero).

(Amount of Loss in Provisional Financial Statements)

Article 157 The sum of the amounts recorded under each account title prescribed by Ministry of Justice Order prescribed in Article 461, paragraph (2), item (v) of the Act is to be the amount obtained by subtracting the amount of net profit or loss for the current period (limited to amounts less than zero) recorded in the profit and loss statement in the provisional financial statements from zero.

(Other Amounts to Be Subtracted)

Article 158 The sum of the amounts recorded under each account title prescribed

by Ministry of Justice Order prescribed in Article 461, paragraph (2), item (vi) of the Act is to be the amount obtained by subtracting the sum of the amounts set forth in item (ix) and (x) from the sum of the amounts set forth in item (i) through item (viii):

- (i) the amounts as provided in (a) through (c) below if the goodwill adjustment amount (meaning the sum of the amount obtained by dividing the amount of goodwill recorded in the section on assets by two, and the amount recorded in the section on deferred assets; the same applies hereinafter in this item and item (iv)) on the last day of the most recent business year (if prescribed in Article 461, paragraph (2), item (ii) of the Act, the period of Article 441, paragraph (1), item (ii) of the Act (if there are two or more of those periods, the one in which the last day thereof is the latest day); the same applies in this item, the following item, item (iii), item (vi), (c), item (viii), (a) and item (ix)) (if there is no most recent business year (excluding the cases prescribed in Article 461, paragraph (2), item (ii) of the Act), the day of formation; the same applies hereinafter in this item, the following item, item (iii), item (vi), (c), item (viii), (a) and item (ix)) falls under the following (a) through (c):
 - (a) cases where the relevant goodwill adjustment amount is equal to or less than the amount of stated capital, etc. (meaning the sum of the amount of stated capital and the amount of reserves on the last day of the most recent business year; the same applies hereinafter in this item): zero;
 - (b) cases where the relevant goodwill adjustment amount is equal to or less than the sum of the amount of stated capital, etc., and the amount of other capital surplus on the last day of the most recent business year (except the case set forth in (a)): the amount obtained by subtracting the amount of stated capital, etc. from the relevant goodwill adjustment amount;
 - (c) cases where the relevant goodwill adjustment amount exceeds the sum of the amount of stated capital, etc. and the amount of other capital surplus on the last day of the most recent business year: the amounts as provided in the following items in accordance with the categories of cases set forth therein:
 - 1. cases where the amount obtained by dividing the amount of goodwill on the last day of the most recent business year by two is equal to or less than the sum of the amount of stated capital, etc. and the amount of other capital surplus on the last day of the most recent business year: the amount obtained by subtracting the amount of stated capital, etc. from the relevant goodwill adjustment amount;
 - 2. cases where the amount obtained by dividing the amount of goodwill on the last day of the most recent business year by two exceeds the sum of the amount of stated capital, etc. and the amount of other capital surplus on the last day of the most recent business year: the sum of the

- amount of other capital surplus on the last day of the most recent business year, and the amount recorded in the section on deferred assets;
- (ii) the amount obtained by subtracting the amount recorded in the entry for other securities valuation difference in the balance sheet on the last day of the most recent business year (if that amount is equal to or greater than zero, zero) from zero;
 - (iii) the amount obtained by subtracting the amount recorded in the entry for land revaluation difference in the balance sheet on the last day of the most recent business year (if that amount is equal to or greater than zero, zero) from zero;
 - (iv) the amount obtained by subtracting the sum of the amounts set forth in (b) and (c) from the amount set forth in (a) (if that amount is less than zero; zero), when the stock company is a company to which consolidated dividend regulations apply (limited to the cases where a business year set forth in Article 2, paragraph (3), item (li) is the most recent business year):
 - (a) the amount obtained by subtracting the amount set forth in 4. from the sum of the amounts set forth in 1. through 3. in the balance sheet on the last day of the most recent business year:
 1. the amount of shareholders' equity;
 2. the amount recorded in the entry for other securities valuation difference (if that amount is equal to or greater than zero, zero);
 3. the amount recorded in the entry for land revaluation difference (if that amount is equal to or greater than zero, zero);
 4. the goodwill adjustment amount (if the goodwill adjustment amount exceeds the sum of the amount of stated capital, the amount of capital surplus and the amount of retained earnings reserves, the sum of the amount of stated capital, the amount of capital surplus and the amount of retained earnings reserves);
 - (b) if shares of the relevant stock company are acquired from a subsidiary company after the last day of the most recent business year, an amount corresponding to the equity interests of the relevant stock company in the subsidiary company from among the book value of those shares immediately prior to the acquisition according to the relevant subsidiary company;
 - (c) the amount obtained by subtracting the amount set forth in 4 from the sum of the amounts set forth in 1. through 3. on a consolidated balance sheet on the last day of the most recent business year:
 1. the amount of shareholders' equity;
 2. the amount recorded in the entry for other securities valuation difference (if that amount is equal to or greater than zero, zero);

3. the amount recorded in the entry for land revaluation difference (if that amount is equal to or greater than zero, zero);
 4. the goodwill adjustment amount (if the goodwill adjustment amount exceeds the sum of the amount of stated capital and the amount of capital surplus, the sum of the amount of stated capital and the amount of capital surplus);
- (v) the amount obtained by subtracting the amount set forth in Article 461, paragraph (2), item (v) of the Act from the amount set forth in item (ii) of the same paragraph (excluding, among the amounts set forth in (b) of the same item, those which are related to treasury shares disposed of on performance of acts of acceptance related to absorption-type restructuring and specified solicitations (meaning the solicitation set forth in (b) if all of the following requirements are met; the same applies hereinafter in this Article)), concerning provisional financial statements other than the most recent provisional financial statements if two or more provisional financial statements have been prepared after the last day of the most recent business year (if there is no most recent business year, the day of formation; the same applies in item (vii) and item (x)):
- (a) the acquisition of shares of the relevant stock company pursuant to the provisions of Article 173, paragraph (1) of the Act after the last day of the most recent business year (limited to the acquisitions of shares if only property paid to or provided to the relevant stock company is delivered pursuant to the solicitation set forth in (b) to shareholders of those shares at the acquisition of those shares);
 - (b) the solicitation of subscribers to all or part of the shares set forth in (a) (if the attributes of those shares acquired change simultaneously with the acquisition of shares, the attributes of shares after the change) pursuant to the provisions of Part II, Chapter II, Section 8 of the Act;
 - (c) the fact that the day set forth in Article 171, paragraph (1), item (iii) of the Act concerning the acquisition of shares set forth in (a) is the same day as the date set forth in Article 199, paragraph (1), item (iv) of the Act concerning the solicitation set forth in (b);
- (vi) the amount obtained by subtracting the sum of the amounts set forth below (if that amount is less than zero; zero) from the amount of 3,000,000 yen:
- (a) the sum of the amount of stated capital and the amount of reserves;
 - (b) the amount of share options;
 - (c) the sum of the amounts recorded in each entry for valuation and translation difference, etc. in the balance sheet on the last day of the most recent business year (if the amounts recorded in those entries are less than zero; zero);
- (vii) the amount set forth in Article 461, paragraph (2), item (ii), (b) of the Act

- concerning treasury shares disposed of by a stock company at an act of acceptance related to absorption-type restructuring or a specified solicitation after the last day of the most recent business year;
- (viii) the sum of the amounts set forth below:
 - (a) the amount of other capital surplus increased pursuant to the provisions of Article 21 after the last day of the most recent business year;
 - (b) the amount of consideration for treasury shares if a stock company which has no most recent business year disposed of the treasury shares after the day of formation;
 - (ix) the amount obtained by subtracting the sum of the amounts set forth below from the book value of acquired shares if a stock company acquires shares in the stock company after the last day of the most recent business year (limited to cases where shares in the stock company are delivered to the shareholders of those shares in exchange for the acquisition of shares, in cases other than that set forth in Article 155, item (xii) of the Act):
 - (a) the book value of property (excluding bonds, etc. (excluding reacquired bonds and its own share options; the same applies in (b))) other than shares in the stock company that is delivered to shareholders of the acquired shares at the acquisition;
 - (b) the book value to be entered for bonds, etc. of the stock company that are delivered to shareholders of the acquired shares at the acquisition;
 - (x) the amount set forth in Article 461, paragraph (2), item (iv) of the Act (if there is no most recent business year, item (viii)) concerning treasury shares disposed of by a stock company at an act of acceptance related to absorption-type restructuring or a specified solicitation after the last day of the most recent business year.

(Directors to Take Responsibility for Payment of Dividends from Surplus)

Article 159 What is prescribed by Ministry of Justice Order, as mentioned in the part of Article 462, paragraph (1) of the Act not contained in the set forth items, is as provided in the following items in accordance with the categories of acts set forth therein:

- (i) the acts set forth in Article 461, paragraph (1), item (i) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of purchase of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting set forth in Article 140, paragraph (2) of the Act;
 - (c) when a company auditor (including the audit and supervisory committee and audit committee; the same applies hereinafter in this Article) or a

- financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
- (ii) the acts set forth in Article 461, paragraph (1), item (ii) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of acquisition of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to acquisition of shares at a shareholders meeting concerning a decision under the provisions of Article 156, paragraph (1) of the Act;
 - (c) directors who gave approval to the acquisition of shares at a board of directors meeting concerning a decision under the provisions of Article 156, paragraph (1) of the Act;
 - (d) when a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
 - (iii) the acts set forth in Article 461, paragraph (1), item (iii) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of acquisition of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to acquisition of shares at a shareholders meeting concerning a decision under the provisions of Article 157, paragraph (1) of the Act;
 - (c) directors who gave approval for the acquisition of shares at a board of directors meeting concerning a decision under the provisions of Article 157, paragraph (1) of the Act;
 - (d) when a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
 - (iv) the acts set forth in Article 461, paragraph (1), item (iv) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of acquisition of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to acquisition of shares at a shareholders meeting set forth in Article 171, paragraph (1) of the Act;
 - (c) when a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;

- (v) the acts set forth in Article 461, paragraph (1), item (v) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of purchase of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting set forth in Article 175, paragraph (1) of the Act;
 - (c) when a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
- (vi) the acts set forth in Article 461, paragraph (1), item (vi) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of purchase of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting concerning a decision under the provisions of the second sentence of Article 197, paragraph (3) of the Act;
 - (c) directors who gave approval to the purchase of shares at a board of directors meeting concerning a decision under the provisions of the second sentence of Article 197, paragraph (3) of the Act;
 - (d) when a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
- (vii) the acts set forth in Article 461, paragraph (1), item (vii) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of purchase of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting concerning a decision under the provisions of the second sentence of Article 234, paragraph (4) of the Act (including cases where it is applied mutatis mutandis pursuant to Article 235, paragraph (2) of the Act);
 - (c) directors who gave approval to the purchase of shares at a board of directors meeting concerning a decision pursuant to the provisions of the second sentence of Article 234, paragraph (4) of the Act (including cases where it is applied mutatis mutandis pursuant to Article 235, paragraph (2) of the Act);
 - (d) when a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;

- (viii) the acts set forth in Article 461, paragraph (1), item (viii) of the Act: the persons set forth below:
- (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of payment of dividends of surplus;
 - (b) directors and executive officers who provided explanations regarding matters related to the payment of dividends of surplus at a shareholders meeting concerning a decision pursuant to the provisions of Article 454, paragraph (1) of the Act;
 - (c) directors who gave approval for the payment of dividends of surplus at a board of directors meeting concerning a decision pursuant to the provisions of Article 454, paragraph (1) of the Act;
 - (d) when a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
- (ix) the acquisition of shares in response to a demand pursuant to the provisions of Article 116, paragraph (1) of the Act concerning the acts set forth in each item of the same paragraph: directors who performed duties related to the delivery of money, etc. as a result of acquisition of shares, and the persons as provided in the following items (a) through (d) in accordance with the categories of acts set forth therein:
- (a) a change to the articles of incorporation establishing provisions on the matters set forth in Article 107, paragraph (1), item (i) of the Act recognized as the characteristics of all shares issued: the persons set forth below:
 - 1. directors who submitted the proposal related to the change to the articles of incorporation at a shareholders meeting;
 - 2. directors who consented to a decision on the submission of the proposal set forth in 1. (excluding directors in a company with a board of directors);
 - 3. when the submission of the proposal set forth in 1. was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors;
 - (b) a change to the articles of incorporation establishing provisions on the matters set forth in Article 108, paragraph (1), item (iv) or item (vii) of the Act recognized as the characteristics of a certain class of shares: the persons set forth below:
 - 1. directors who submitted the proposal related to the change to the articles of incorporation at a shareholders meeting;
 - 2. directors who consented to a decision on the submission of the proposal set forth in 1. (excluding directors in a company with a board of directors);

3. when the submission of the proposal set forth in 1 was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors;
- (c) the acts set forth in Article 116, paragraph (1), item (iii), (a) through (c) and (f) of the Act, in the cases prescribed in the same item: the persons set forth below:
1. when the performance of those acts was based on a resolution at a shareholders meeting, directors who submitted the proposal related to the relevant acts at the shareholders meeting;
 2. directors who consented to a decision on the submission of the proposal set forth in 1. (excluding directors in a company with a board of directors);
 3. when the submission of the proposal set forth in 1. was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors;
 4. when the performance of those acts was based on a resolution of a board of directors, directors who gave approval to the relevant acts in the board of directors meeting;
- (d) the acts set forth in Article 116, paragraph (1), item (iii), (d) and (e) of the Act, in the cases prescribed in the same item: the persons set forth below:
1. directors and executive officers who performed duties related to those acts;
 2. when the performance of those acts was based on a resolution at a shareholders meeting, directors who submitted the proposal related to the relevant acts at the shareholders meeting;
 3. directors who consented to a decision on the submission of the proposal set forth in 2. (excluding directors in a company with a board of directors);
 4. when the submission of the proposal set forth in 2 was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors;
 5. when the performance of those acts was based on a resolution of the board of directors, directors who gave approval to the resolution of the board of directors;
- (x) the acquisition of shares in response to a request pursuant to the provisions of Article 182-4, paragraph (1) of the Act: the persons set forth below:
- (a) directors who performed duties related to the delivery of money, etc. as a result of acquisition of shares;
 - (b) directors who submitted the proposal related to the consolidation of shares at the shareholders meeting set forth in Article 180, paragraph (2) of the Act;

- (c) directors who consented to a decision on the submission of the proposal set forth in (b) (excluding directors in a company with a board of directors);
- (d) when the submission of the proposal set forth in (b) was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors;
- (xi) the acts set forth in Article 465, paragraph (1), item (iv) of the Act: directors and executive officers who performed duties related to the delivery of money, etc. as a result of acquisition of shares;
- (xii) the acts set forth in Article 465, paragraph (1), item (v) of the Act: the persons set forth below:
 - (a) directors and executive officers who performed duties related to the delivery of money, etc. as a result of acquisition of shares;
 - (b) when the grounds set forth in Article 107, paragraph (2), item (iii), (a) of the Act have arisen based on a resolution of a shareholders meeting, directors who submitted the proposal related to the relevant act at the shareholders meeting;
 - (c) directors who consented to a decision on the submission of the proposal set forth in (b) (excluding directors in a company with a board of directors);
 - (d) when the submission of the proposal set forth in (b) was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors;
 - (e) when the grounds set forth in Article 107, paragraph (2), item (iii), (a) of the Act have arisen based on a resolution of the board of directors, directors who gave approval to the resolution of the board of directors.

Article 160 The persons prescribed by Ministry of Justice Order prescribed in Article 462, paragraph (1), item (i), (a) of the Act are the persons set forth below:

- (i) directors who submitted the proposal to the shareholders meeting;
- (ii) directors who consented to a decision on the submission of the proposal set forth in the preceding item (excluding directors in a company with a board of directors);
- (iii) when the submission of the proposal set forth in item (i) was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors in the board of directors meeting.

Article 161 The persons prescribed by Ministry of Justice Order prescribed in Article 462, paragraph (1), item (i), (b) of the Act are the directors and executive officers who submitted the proposal to the board of directors meeting.

Part VIII Matters Related to Figures in Accounting for Membership

Companies

(Amount of Losses)

Article 162 The methods prescribed by Ministry of Justice Order prescribed in Article 620, paragraph (2) of the Act are those of taking the amount calculated pursuant to the provisions of the same paragraph as whichever of the amounts set forth below is the smallest:

- (i) the amount obtained by subtracting the sum of the amount of capital surplus and the amount of retained earnings on the day on which the amount of stated capital is reduced pursuant to the provisions of Article 620, paragraph (1) of the Act from zero (when this is less than zero, zero);
- (ii) the amount of stated capital on the day on which the amount of stated capital is reduced pursuant to the provisions of Article 620, paragraph (1) of the Act.

(Amount of Profit)

Article 163 The method prescribed by Ministry of Justice Order prescribed in Article 623, paragraph (1) of the Act is that of recognizing the amount of profit of the membership company as whichever of the amounts set forth below is the smallest (for amounts of profit prescribed in the proviso to Article 629, paragraph (2) of the Act, the amount set forth in item (i)):

- (i) the amount of retained earnings on the day on which profit was distributed in response to a demand pursuant to the provisions of Article 621, paragraph (1) of the Act;
- (ii) the amount obtained by subtracting the sum of the amounts set forth in (b) and (c) from the amount set forth in (a):
 - (a) the amount of profit already distributed to members who have made the relevant request pursuant to the provisions of Article 622 of the Act (if there is an amount as provided in Article 32, paragraph (1), item (iii), including that amount);
 - (b) the amount of losses already distributed to members who have made the relevant request pursuant to the provisions of Article 622 of the Act (if there is an amount as provided in Article 32, paragraph (2), item (iv), including that amount);
 - (c) the book value of money, etc. already delivered through distribution of profit to members who have made the relevant request.

(Amount of Surplus)

Article 164 The total sum prescribed by Ministry of Justice Order prescribed in Article 626, paragraph (4), item (iv) of the Act is the amount obtained by subtracting the sum of the amounts set forth in item (ii) and item (iii) from the

amount set forth in item (i):

- (i) the amount set forth in Article 626, paragraph (4), item (i) of the Act;
- (ii) the sum of the amounts set forth in Article 626, paragraph (4), item (ii) and item (iii) of the Act;
- (iii) the amounts as provided in (a) through (e) below, in the cases set forth in (a) through (e):
 - (a) cases where the amount of surplus prescribed in Article 626, paragraph (2) of the Act is calculated: the amount recorded to the capital surplus regarding contributions made by the relevant members;
 - (b) cases where the amount of surplus prescribed in Article 626, paragraph (3) of the Act is calculated: the sum of the amounts set forth below:
 - 1. the amount recorded to the capital surplus for each contribution made by the relevant members;
 - 2. the amount obtained by subtracting the amount set forth in Article 32, paragraph (2), item (ii), (b) from the amount set forth in (a) of the same item;
 - (c) cases where the amounts of surplus prescribed in Article 632, paragraph (2) of the Act and Article 634, paragraph (1) of the Act is calculated: whichever of the amounts set forth below is the smallest:
 - 1. the sum of the amount of retained earnings and the amount of capital surplus on the day on which a return of contributions was made in response to a request pursuant to the provisions of Article 624, paragraph (1) of the Act;
 - 2. the amount recorded to the capital surplus regarding contributions made by the relevant members;
 - (d) the cases prescribed in the proviso to Article 633, paragraph (2) of the Act: the amount set forth in (c), 1.;
 - (e) cases where the amounts of surplus prescribed in Article 635, paragraph (1), paragraph (2), item (i), and Article 636, paragraph (2) of the Act are calculated: the sum of the amount of capital surplus and the amount of retained earnings.

(Deficit Amount)

Article 165 The method prescribed by Ministry of Justice Order prescribed in Article 631, paragraph (1) of the Act is that of taking the amount obtained by subtracting the sum of the amounts set forth in item (ii) and item (iii) from the amount set forth in item (i) (when this is less than zero; zero) as the deficit amount of a membership company:

- (i) the amount obtained by subtracting the sum of the amount of capital surplus and the amount of retained earnings on the last day of the business year set forth in Article 631, paragraph (1) of the Act from zero;

- (ii) the amount of net loss for the current period concerning the business year set forth in Article 631, paragraph (1) of the Act;
- (iii) the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) if any return of equity interests has occurred in the relevant business year (if this is less than zero, zero):
 - (a) the partnership interest refund amount concerning the refund of the relevant equity interests;
 - (b) the sum of the amount of retained earnings and the amount of capital surplus on the day on which the relevant return of equity interests was made.

(Amount of Net Assets)

Article 166 The method prescribed by Ministry of Justice Order prescribed in Article 635, paragraph (2), paragraph (3) and paragraph (5) of the Act is that of taking the sum of the amounts set forth below as the amount of net assets of a membership company:

- (i) the amount of stated capital;
- (ii) the amount of capital surplus;
- (iii) the amount of retained earnings;
- (iv) the amount concerning valuation and translation differences on the last day of the most recent business year (if there is no most recent business year, the day of formation of the membership company).

Supplementary Provisions [Ministry of Justice Order No. 28 of March 29, 2006] [Extract]