

# **Ordinance on the Terminology, Forms, and Preparation Methods of Interim Consolidated Financial Statements**

(Ordinance of the Ministry of Finance No. 24 of March 30, 1999)

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

Chapter I General Provisions (Articles 1 to 19)

Chapter II Interim Consolidated Balance Sheets

Section 1 General Provisions (Articles 20 to 22)

Section 2 Assets (Articles 23 to 35)

Section 3 Liabilities (Articles 36 to 43)

Section 4 Net Assets (Articles 44 to 46)

Section 5 Miscellaneous Provisions (Articles 47 to 50)

Chapter III Interim Consolidated Profit and Loss Statements

Section 1 General Provisions (Articles 51 and 52)

Section 2 Net Sales and Cost of Sales (Articles 53 to 55)

Section 3 Selling Expenses and General and Administrative Expenses  
(Articles 56 and 57)

Section 4 Non-operating Revenues and Non-operating Expenses (Articles 58 to 60)

Section 5 Extraordinary Income and Extraordinary Losses (Articles 61 to 63)

Section 6 Interim Net Income and Interim Net Loss (Articles 64 and 65)

Section 7 Miscellaneous Provisions (Articles 66 to 70)

Chapter IV Interim Consolidated Statements of Changes in Shareholders' Equity

Section 1 General Provisions (Articles 71 and 72)

Section 2 Shareholders' Equity (Article 73)

Section 3 Valuation and Translation Adjustments (Articles 74 and 75)

Section 4 Share Options (Article 76)

Section 5 Minority Shareholders' Equity (Article 77)

Section 6 Matters to Be Stated in the Notes (Articles 78 to 81)

Section 7 Miscellaneous Provisions (Article 82)

Chapter V Interim Consolidated Cash Flow Statements

Section 1 General Provisions (Articles 83 and 84)

Section 2 Method of Entry in an Interim Consolidated Cash Flow Statement

(Articles 85 and 86)  
Chapter VI Miscellaneous Provisions (Article 87)  
Supplementary Provisions

## **Chapter I General Provisions**

(Application of the Ordinance)

- Article 1 (1) From among finance and accounting documents to be submitted pursuant to the provisions of Article 5, Article 7, Article 9, paragraph (1), Article 10, paragraph (1), Article 24-4-7, paragraph (1) or (2) or Article 24-5, paragraph (1) of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "Act") (including the cases where any of these provisions are applied mutatis mutandis pursuant to Article 24-4-7, paragraph (4) and Article 24-5, paragraph (5) of the Act and cases where these provisions are applied mutatis mutandis, pursuant to Article 27 of the Act, to a juridical person which has been designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 1, paragraph (1) of the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Ordinance on Financial Statements, etc.") (such juridical person shall hereinafter be referred to as a "Designated Juridical Person")), the terminology, forms, and preparation methods of interim consolidated balance sheets, interim consolidated profit and loss statements, interim consolidated statements of changes in shareholders' equity, interim consolidated Cash Flow statements, and consolidated supplementary schedules (these documents shall hereinafter be collectively referred to as "Interim Consolidated Financial Statements") shall be governed by the provisions of this Ordinance, except for those subject to application of the provisions of Article 2 of the Ordinance on the Terminology, Forms, and Preparation Methods of Interim Financial Statements, etc. (Ordinance of the Ministry of Finance No. 38 of 1977; hereinafter referred to as the "Ordinance on Interim Financial Statements, etc."), and any matters that are not provided for under this Ordinance shall be in compliance with business accounting standards that are generally accepted as fair and appropriate.
- (2) Business accounting standards published by the Business Accounting Council prescribed in Article 24, paragraph (1) of the Cabinet Order for Organization of the Financial Services Agency (Cabinet Order No. 392 of 1998) shall be regarded as the business accounting standards that are generally accepted as fair and appropriate prescribed in the preceding paragraph.

(Definitions)

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

- (i) Company Submitting Interim Consolidated Financial Statements: a company or Designated Juridical Person which is to submit Interim Consolidated Financial Statements pursuant to the provisions of the Act;
- (ii) Subsidiary Company: an entity that is regarded as a subsidiary company of a Company Submitting Interim Consolidated Financial Statements, pursuant to the provisions of Article 8, paragraphs (3), (4), and (7) of the Ordinance on Financial Statements, etc.;
- (iii) Consolidated Subsidiary Company: a Subsidiary Company included in the scope of consolidation;
- (iv) Consolidated Companies: a Company Submitting Interim Consolidated Financial Statements and its Consolidated Subsidiary Companies;
- (v) Non-consolidated Subsidiary Company: a Subsidiary Company excluded from the scope of consolidation;
- (vi) Affiliated Company: an entity that is regarded as an affiliated company of a Company Submitting Interim Consolidated Financial Statements, pursuant to the provisions of Article 8, paragraphs (5) and (6) of the Ordinance on Financial Statements, etc.;
- (vii) Equity Method: a method whereby an investor company corrects its investment amount each business year according to the changes in the portions of the investee company's net assets, profit and loss which belong to said investor company;
- (viii) Deleted;
- (ix) Minority Shareholders' Equity: the portion of a Consolidated Subsidiary Company's capital which is not equity of the Company Submitting Interim Consolidated Financial Statements;
- (x) Cash Flow: any increase or decrease in the Funds defined in the following item;
- (xi) Funds: the total amount of cash (including any current deposits, ordinary deposits, and other deposits which the depositor is able to withdraw without waiting for a certain period to elapse; the same shall apply in Articles 84 and 86) and Cash Equivalents (meaning short-term investments which can be easily converted into cash and which have a low risk of fluctuating in value; the same shall apply in Articles 84 and 86);
- (xii) Derivative Transactions: transactions as provided in Article 8, paragraph (14) of the Ordinance on Financial Statements, etc.;
- (xiii) Trading Securities: securities as provided in Article 8, paragraph (20) of the Ordinance on Financial Statements, etc.;
- (xiv) Bonds Held to Maturity: bonds as provided in Article 8, paragraph (21) of the Ordinance on Financial Statements, etc.;

- (xv) Other Securities: securities as provided in Article 8, paragraph (22) of the Ordinance on Financial Statements, etc.;
- (xvi) Treasury Shares: shares as provided in Article 2, item (xix) of the Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Ordinance on Consolidated Financial Statements"); in this case, the term "Consolidated Financial Statements" in that item shall be deemed to be replaced with "Interim Consolidated Financial Statements";
- (xvii) Company's Treasury Shares: shares of Consolidated Companies under the provisions of Article 2, item (xx) of the Ordinance on Consolidated Financial Statements;
- (xviii) Options on a Company's Treasury Shares: options on a company's treasury shares as provided in Article 2, item (xxi) of the Ordinance on Consolidated Financial Statements;
- (xix) Stock Options: stock options as provided in Article 2, item (xxii) of the Ordinance on Consolidated Financial Statements;
- (xx) Business Combination: business combination as provided in Article 8, paragraph (27) of the Ordinance on Financial Statements, etc.;
- (xxi) Acquiring Enterprise: an enterprise as provided in Article 8, paragraph (28) of the Ordinance on Financial Statements, etc.;
- (xxii) Acquired Enterprise: an enterprise as provided in Article 8, paragraph (29) of the Ordinance on Financial Statements, etc.;
- (xxiii) Combiner: an enterprise as provided in Article 8, paragraph (31) of the Ordinance on Financial Statements, etc.;
- (xxiv) Combinee: an enterprise as provided in Article 8, paragraph (32) of the Ordinance on Financial Statements, etc.;
- (xxv) Combined Enterprise: an enterprise as provided in Article 8, paragraph (33) of the Ordinance on Financial Statements, etc.;
- (xxvi) Constituent Enterprises: enterprises as provided in Article 8, paragraph (34) of the Ordinance on Financial Statements, etc.;
- (xxvii) Purchase Method: a method as provided in Article 8, paragraph (35) of the Ordinance on Financial Statements, etc.;
- (xxviii) Pooling of Interest Method: a method prescribed in Article 8, paragraph (36) of the Ordinance on Financial Statements, etc.;
- (xxix) Common Control Transaction, etc.: a common control transaction, etc. as provided in Article 8, paragraph (37) of the Ordinance on Financial Statements, etc.;
- (xxx) Business Divestiture: business divestiture as provided in Article 8, paragraph (38) of the Ordinance on Financial Statements, etc.;
- (xxxi) Divesting Enterprise: an enterprise as provided in Article 8, paragraph

- (39) of the Ordinance on Financial Statements, etc.;
- (xxxii) Successor Enterprise: an enterprise as provided in Article 8, paragraph (40) of the Ordinance on Financial Statements, etc.;
- (xxxiii) Financial Instruments: financial instruments as provided in Article 8, paragraph (41) of the Ordinance on Financial Statements, etc.; and
- (xxxiv) Asset Retirement Obligations: asset retirement obligations as provided in Article 8, paragraph (42) of the Ordinance on Financial Statements, etc.

(Interim Consolidated Closing Date and Interim Consolidated Accounting Period)

Article 3 (1) A Company Submitting Interim Consolidated Financial Statements shall specify the last day of its interim accounting period as its interim consolidated closing date, and prepare Interim Consolidated Financial Statements based on said date.

- (2) In the case set forth in the preceding paragraph, the period for which Interim Consolidated Financial Statements are prepared (hereinafter referred to as the "Interim Consolidated Accounting Period") shall be the period from the day following the interim consolidated closing date that preceded the relevant interim consolidated closing date until the relevant interim consolidated closing date.

(General Principles for the Preparation of Interim Consolidated Financial Statements)

Article 4 The terminology, forms, and preparation methods of Interim Consolidated Financial Statements to be submitted pursuant to the provisions of the Act shall comply with the following standards:

- (i) the Interim Consolidated Financial Statements shall present true information concerning the financial position, operating results and conditions of Cash Flow of the Business Group (meaning the Company Submitting the Interim Consolidated Financial Statements and its Subsidiary Companies; the same shall apply hereinafter);
- (ii) the Interim Consolidated Financial Statements shall be prepared based on interim financial statements of Consolidated Companies that have been prepared in compliance with business accounting standards that are generally accepted as fair and appropriate;
- (iii) the Interim Consolidated Financial Statements shall clearly present the accounting information necessary for preventing the interested parties of the Company Submitting the Interim Consolidated Financial Statements from reaching an erroneous conclusion on the financial, operating and Cash Flow conditions of the Business Group; and
- (iv) the accounting principles and procedures adopted for preparing the

Consolidated Financial Statements (meaning the financial statements prescribed in Article 1, paragraph (1) of the Ordinance on Consolidated Financial Statements) for the consolidated fiscal year immediately preceding the relevant Interim Consolidated Accounting Period shall be applied continuously in the relevant Interim Consolidated Accounting Period, except where these are modified on justifiable grounds.

(Scope of Consolidation)

Article 5 (1) A Company Submitting Interim Consolidated Financial Statements shall include all of its Subsidiary Companies in the scope of consolidation; provided, however, that it shall not include a Subsidiary Company that falls under either of the following categories in the scope of consolidation:

- (i) a Subsidiary Company over whose administrative organ that makes decisions on the Subsidiary Company's financial and operational or business policies (meaning a shareholders meeting or any body equivalent thereto) the Company Submitting the Interim Consolidated Financial Statements is found to only have temporary control; and
  - (ii) a Subsidiary Company whose inclusion in the scope of consolidation is found likely to lead to a substantially erroneous conclusion about the Company Submitting the Interim Consolidated Financial Statements by its interested parties.
- (2) Where any Subsidiary Company which should be included in the scope of consolidation pursuant to the provisions of the preceding paragraph lacks significance in terms of its assets, net sales (including revenues from service operations; the same shall apply hereinafter) or the like, to the extent that its exclusion from the scope of consolidation would not hinder a reasonable conclusion on the financial position and operating results of the Business Group, said Subsidiary Company may be excluded from the scope of consolidation.
- (3) In cases where there is any significant matter concerning the financial and operating conditions, etc. of a Company, etc. (meaning a company, Designated Juridical Person, partnership or any other business entity equivalent thereto (including a business entity equivalent thereto in a foreign state); the same shall apply hereinafter) set forth in either of the following items, which is found to exert an influence on any conclusions about the financial position and operating results of the Business Group, the details thereof shall be stated in the notes to the Interim Consolidated Financial Statements:
- (i) a Subsidiary Company that is excluded from the scope of consolidation pursuant to the provisions of the proviso to paragraph (1); or
  - (ii) among Companies, etc. whose majority of voting rights are held by the Company Submitting Interim Consolidated Financial Statements on its own

account, a Company, etc. that has received an order for the commencement of rehabilitation proceedings under the provisions of the Civil Rehabilitation Act (Act No. 225 of 1999), a stock company that has received an order for the commencement of corporate reorganization proceedings under the provisions of the Corporate Reorganization Act (Act No. 154 of 2002), a Company, etc. that has received an order for the commencement of bankruptcy proceedings under the provisions of the Bankruptcy Act (Act No. 75 of 2004), or any other Company, etc. equivalent thereto, which at the same time is not categorized as a Subsidiary Company due to its being found to have no effective parent-subsidiary relationship with the Company Submitting the Interim Consolidated Financial Statements.

(Valuation of Assets and Liabilities of Consolidated Subsidiary Companies, etc.)

Article 6 When preparing Interim Consolidated Financial Statements, assets and liabilities of Consolidated Subsidiary Companies shall be valued, investments by the Company Submitting the Interim Consolidated Financial Statements in Consolidated Subsidiary Companies shall be offset against the corresponding equity of said Consolidated Subsidiary Companies, and any other necessary elimination of items between the Consolidated Companies shall be made.

(Application of the Equity Method)

Article 7 (1) Investments in any Non-consolidated Subsidiary Company or Affiliated Company shall be reported on an interim consolidated balance sheet by indicating values calculated by the Equity Method; provided, however, that the Equity Method shall not be applied to investments in a company that falls under either of the following categories:

- (i) an Affiliated Company on whose financial and operational or business policy decisions the Company Submitting the Interim Consolidated Financial Statements is found to only exert a temporary influence; or
- (ii) a Non-consolidated Subsidiary Company or Affiliated Company for which application of the Equity Method is found likely to lead interested parties to a substantially erroneous conclusion about the Company Submitting the Interim Consolidated Financial Statements.

(2) Where any Non-consolidated Subsidiary Company or Affiliated Company to which the Equity Method should be applied pursuant to the provisions of the preceding paragraph would not, in terms of profit, loss, or the like, exert a significant influence on Interim Consolidated Financial Statements even if said company were excluded from the application of the Equity Method, said company may be excluded from the application of the Equity Method.

(Application of Tax Effect Accounting)

Article 8 With regard to Consolidated Companies' corporate tax and any other taxes that are imposed on amounts related to profits as the tax base (hereinafter referred to as "Corporate Tax, etc."), Interim Consolidated Financial Statements shall be prepared by applying Tax Effect Accounting (meaning an accounting method which, in cases where there are differences between the amounts of assets and liabilities reported on the interim consolidated balance sheet and the amounts of assets and liabilities derived as a result of calculating the taxable income, reasonably matches the amount of interim net income before deducting the Corporate Tax, etc. with the applicable amount of Corporate Tax, etc. through appropriate inter-period allocation of the amount of Corporate Tax, etc. pertaining to such differences; the same shall apply hereinafter).

(Subsidiary Company with a Different Interim Closing Date)

Article 9 Any Consolidated Subsidiary Company for which the last day of the interim accounting period differs from the interim consolidated closing date shall, on the interim consolidated closing date, carry out the necessary settlement of accounts for preparing interim financial statements that serve as the basis for preparation of Interim Consolidated Financial Statements; provided, however, that this shall not apply when the difference between the last day of the interim accounting period of said Consolidated Subsidiary Company and the interim consolidated closing date is not more than three months, and Interim Consolidated Financial Statements are prepared based on interim financial statements for said interim accounting period.

(Entry of the Scope of Consolidation, etc.)

Article 10 (1) Matters on the scope of consolidation and other significant matters that serve as the basis for preparing Interim Consolidated Financial Statements shall be entered immediately after the interim consolidated Cash Flow statement, by classifying them into the following matters:

- (i) matters on the scope of consolidation;
- (ii) matters on application of the Equity Method;
- (iii) matters on the interim closing date, etc. of Consolidated Subsidiary Companies;
- (iv) matters on accounting standards; and
- (v) the scope of Funds reported on the interim consolidated Cash Flow statement.

(2) With regard to the matters on the scope of consolidation set forth in item (i) of the preceding paragraph, the following matters shall be entered:



- (i) the number of Consolidated Subsidiary Companies and the names of major Consolidated Subsidiary Companies;
  - (ii) in cases where there are any Non-consolidated Subsidiary Companies, the names of major Non-consolidated Subsidiary Companies and the reason for excluding them from the scope of consolidation;
  - (iii) in cases where, in spite of the fact that the Company Submitting the Interim Consolidated Financial Statements holds a majority of the voting rights in another Company, etc. on its own account, said other Company, etc. is not regarded as a Subsidiary Company, the name of said other Company, etc. and the reason for not regarding it as a Subsidiary Company; and
  - (iv) in cases where there is any Special Purpose Company Subject to Disclosure (meaning a special purpose company subject to disclosure as defined in Article 8-9, item (ii) of the Ordinance on Financial Statements, etc.; hereinafter the same shall apply in this item), an outline of the Special Purpose Company Subject to Disclosure, an outline and the transaction amounts of transactions with the Special Purpose Company Subject to Disclosure, and any other significant matters.
- (3) With regard to the matters on the application of the Equity Method set forth in paragraph (1), item (ii), the following matters shall be entered:
- (i) the number of Non-consolidated Subsidiary Companies or Affiliated Companies to which the Equity Method is applied and the names of major Companies among them;
  - (ii) in cases where there are any Non-consolidated Subsidiary Companies or Affiliated Companies to which the Equity Method is not applied, the names of major Companies among them;
  - (iii) in cases where there are any Non-consolidated Subsidiary Companies or Affiliated Companies to which the Equity Method is not applied, the reason for not applying the Equity Method;
  - (iv) in cases where, in spite of the fact that the Company Submitting the Interim Consolidated Financial Statements holds not less than 20 percent but not more than 50 percent of the voting rights in another Company, etc. on its own account, said other Company, etc. is not regarded as an Affiliated Company, the name of said other Company, etc. and the reason for not regarding it as an Affiliated Company; and
  - (v) in cases where there are any matters that are found particularly necessary to be entered with regard to the procedures for application of the Equity Method, the details thereof.
- (4) With regard to the matters on the interim closing date, etc. of the Consolidated Subsidiary Companies set forth in paragraph (1), item (iii), if there is any Consolidated Subsidiary Company whose interim closing date differs from the interim consolidated closing date, the details thereof and

whether or not said Consolidated Subsidiary Company has carried out a settlement of accounts for preparing interim financial statements that serve as the basis for preparation of Interim Consolidated Financial Statements shall be entered.

- (5) With regard to the matters on accounting standards set forth in paragraph (1), item (iv), the following matters shall be entered:
- (i) the valuation standards and the valuation method for significant assets;
  - (ii) the depreciation/amortization method for significant depreciable/amortizable assets;
  - (iii) the standards for recognition of significant allowances;
  - (iv) the standards for recognition of significant revenues and expenses;
  - (v) the standards for translating significant assets or liabilities that are in a foreign currency into Japanese currency, adopted for preparing interim financial statements of Consolidated Companies that served as the basis for preparation of Interim Consolidated Financial Statements;
  - (vi) any significant method of Hedge Accounting (meaning the hedge accounting defined in Article 8-2, item (viii) of the Ordinance on Financial Statements, etc.; the same shall apply in Article 17); and
  - (vii) other significant matters for preparing Interim Consolidated Financial Statements.

(Entry of Changes in Significant Matters That Serve as the Basis for the Preparation of Interim Consolidated Financial Statements)

Article 11 (1) In cases where any significant matters that serve as the basis for the preparation of Interim Consolidated Financial Statements have been changed, the following matters shall be entered immediately after the entries under the preceding Article:

- (i) in cases where the scope of consolidation or the scope of application of the Equity Method has been changed, a statement to that effect, and the reason for the change;
  - (ii) in cases where any accounting principles or procedures have been changed, a statement to that effect, the reason for the change, and details of the influence of said change on the Interim Consolidated Financial Statements;
  - (iii) in cases where any presentation formats have been changed, the details of such change; and
  - (iv) in cases where the scope of Funds in the interim consolidated Cash Flow statement has been changed, a statement to that effect, the reason for the change, and details of the influence of said change on the interim consolidated Cash Flow statement.
- (2) In cases where the accounting principles or procedures had been changed upon preparing the interim financial statements for the consolidated fiscal

year immediately preceding the relevant Interim Consolidated Accounting Period, and there is any difference between the accounting principles and procedures adopted for preparing the Interim Consolidated Financial Statements for the Interim Consolidated Accounting Period immediately preceding the relevant Interim Consolidated Accounting Period and those adopted for preparing the Interim Consolidated Financial Statements for the relevant Interim Consolidated Accounting Period, an entry to that effect and the details of such change shall be set down in the notes.

(Notes on Significant Post-Balance Sheet Events)

Article 12 If any events that exert a significant influence on the financial position and operating results of Consolidated Companies, as well as Non-consolidated Subsidiary Companies and Affiliated Companies to which the Equity Method is applied, in and/or after the consolidated fiscal year containing the Interim Consolidated Accounting Period pertaining to the relevant Interim Consolidated Financial Statements (excluding said Interim Consolidated Accounting Period) occur after the interim consolidated closing date (such events shall hereinafter be referred to as "Significant Post-Balance Sheet Events"), said events shall be stated in the notes; provided, however, that, with regard to any Subsidiary Company or Affiliated Company the last day of whose interim accounting period differs from the interim consolidated closing date, such events that occur after the interim closing date of said Subsidiary Company or Affiliated Company shall be stated in the notes.

(Notes on Additional Information)

Article 13 In addition to the notes particularly specified under this Ordinance, if there are any matters that are found to be necessary in order for persons interested in the Company Submitting Interim Consolidated Financial Statements to reach an adequate conclusion about the financial and operating conditions of the Business Group, said matters shall be stated in the notes.

(Notes on Segment Information)

Article 14 (1) In cases where Consolidated Companies engage in two or more different types of business, by classification as the types of business, net sales and the amount of operating income or the amount of operating loss for each such class (hereinafter collectively referred to as "Business Segment Information") shall be stated in the notes according to Form No. 1; provided, however, that if the amount of net sales and the amount of operating income or the amount of operating losses for a class are small, they may be entered collectively with such amounts for another class under an appropriate name.  
(2) In cases where any Consolidated Companies are located in countries or

regions outside Japan (meaning Japan defined in Article 6, paragraph (1), item (i) of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949); the same shall apply hereinafter), by classification as the countries or regions in which the Consolidated Companies are located (in cases where said countries or regions are outside Japan, this shall include a group of countries or regions that it is found appropriate to treat as a single region), net sales and the amount of operating income or the amount of operating loss for each such class (hereinafter collectively referred to as "Geographical Segment Information") shall be stated in the notes in accordance with Form No. 2; provided, however, that if the amount of net sales for a class is small and it is found appropriate to present it collectively with such amount for another class, these may be entered collectively under an appropriate name.

(3) In cases where Consolidated Companies have sales in countries or regions outside Japan (including a group of countries or regions that it is found appropriate to treat as a single region; hereinafter the same shall apply in this paragraph) (such sales shall hereinafter be referred to as "Overseas Net Sales"), by classification as such countries or regions, Overseas Net Sales for each such class shall be stated in the notes according to Form No. 3; provided, however, that if the amount of Overseas Net Sales for a class is small, it may be entered collectively with such amount for another class under an appropriate name.

(Notes on Lease Transactions)

Article 15 The provisions of Article 8-6 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to lease transactions. In this case, the term "Company Submitting the Financial Statements" in paragraphs (1) and (3) of that Article shall be deemed to be replaced with "Consolidated Companies," the term "as of the end of the current business year" in paragraph (1), item (i), sub-item (a) and item (ii) and paragraph (2) of that Article shall be deemed to be replaced with "as of the end of the current Interim Consolidated Accounting Period," the phrases "up to five years from the balance sheet date" and "after five years from the balance sheet date" in paragraph (1), item (ii), sub-item (b) of that Article shall be deemed to be replaced with "up to the day on which five years have elapsed from the day following the interim consolidated closing date" and "after the day on which five years have elapsed from the day following the interim consolidated closing date" respectively, the phrase "Within One Year" in paragraph (2) of that Article shall be deemed to be replaced with "on a day that comes within one year from the day following the interim consolidated closing date," and the term "balance sheet" in paragraph (3) of that Article shall be deemed to be replaced with "interim consolidated balance sheet."

(Notes on Financial Instruments)

Article 15-2 The provisions of Article 15-5-2, paragraphs (1) (excluding item (i)) and (2) of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to Financial Instruments. In this case, the phrases "consolidated closing date," "of the consolidated balance sheet," and "amounts reported on the consolidated balance sheet" in paragraph (1), item (ii) of that Article shall be deemed to be replaced with "interim consolidated closing date," "of the interim consolidated balance sheet," and "amounts reported on the interim consolidated balance sheet" respectively.

(Notes on Securities)

Article 16 The provisions of Article 15-6, paragraphs (1) (excluding items (i), (iv) and (v)), (3) and (4) of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to securities. In this case, the terms "consolidated closing date" and "amount reported on the consolidated balance sheet" in paragraph (1), items (ii) and (iii) of that Article shall be deemed to be replaced with "interim consolidated closing date" and "amount reported on the interim consolidated balance sheet" respectively, the terms "current Consolidated Fiscal Year," "consolidated closing date," "amount reported on the consolidated balance sheet," "Consolidated Financial Statements," and "on the Consolidated Financial Statements" in paragraph (3) of that Article shall be deemed to be replaced with "current Interim Consolidated Accounting Period," "interim consolidated closing date," "amount reported on the interim consolidated balance sheet," "Interim Consolidated Financial Statements," and "on the Interim Consolidated Financial Statements" respectively, and the term "current Consolidated Fiscal Year" in paragraph (4) of that Article shall be deemed to be replaced with "current Interim Consolidated Accounting Period."

(Notes on Derivative Transactions)

Article 17 (1) In addition to the matters specified in Article 15-2, with regard to Derivative Transactions (limited to those to which Hedge Accounting is not applied), the contract amount as of the interim consolidated closing date or the principal equivalent amount specified in the contract, the market price and valuation gain or loss as of the interim consolidated closing date, and the calculation method for the market price shall be stated in the notes, by type of the Subject Matter of Transactions (meaning currencies, money rates, shares, bonds, commodities and any other subject matter of transactions; the same shall apply in the following paragraph); provided, however, that notes may be omitted for matters of little significance.

(2) Notwithstanding the provisions of the preceding paragraph, with regard to Derivative Transactions to which Hedge Accounting is applied, the contract

amount as of the interim consolidated closing date or the principal equivalent amount specified in the contract, the market price as of the interim consolidated closing date, and the calculation method for the market price may be entered in the notes, by type of Subject Matter of the Transactions.

- (3) The matters specified in paragraph (1) shall be entered by categorizing them by type of Transaction (meaning futures transactions, options transactions, forward transactions, swap transactions and any other Derivative Transactions; the same shall apply in the following paragraph), by Market Transaction (meaning the market transactions defined in Article 8, paragraph (10), item (iii) of the Ordinance on Financial Statements, etc.) or off-Market Transaction, by the relationship to a purchase contract or to a sale contract, by the period from the interim consolidated closing date to the settlement date of the transaction or to the time of termination of the contract, and other matters.
- (4) The matters specified in paragraph (2) shall be entered by categorizing them by the method of Hedge Accounting, by the type of Transaction, by the Hedged Items (meaning the hedged items defined in Article 8-2, item (viii) of the Ordinance on Financial Statements, etc.), and other matters.

(Notes on the Granting or Issuance of Stock Options, Options on the Company's Treasury Shares or the Company's Treasury Shares)

Article 17-2 The provisions of Article 8-14, paragraph (1) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to cases where Stock Options or Options on the Company's Treasury Shares have been granted or the Company's Treasury Shares have been issued. In this case, the term "business year" in item (i) of that paragraph shall be deemed to be replaced with "Interim Consolidated Accounting Period."

(Notes on Stock Options)

Article 17-3 The provisions of Article 5-9 (excluding paragraph (4)) of the Ordinance on Consolidated Financial Statements, etc. shall apply mutatis mutandis to cases where Stock Options have been granted. In this case, the terms "interim accounting period" and "Company Submitting Interim Financial Statements" in paragraph (1) of that Article shall be deemed to be replaced with "Interim Consolidated Accounting Period" and "Company Submitting Interim Consolidated Financial Statements."

(Notes in Cases of Having Applied the Purchase Method)

Article 17-4 The provisions of Article 15-12 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to the case of having applied the Purchase Method. In this case, the term "Consolidated Fiscal Year" in paragraphs (1) (excluding item (xi)), (2) and (3) of that Article shall be

deemed to be replaced with "Interim Consolidated Accounting Period," the term "Consolidated Financial Statements" in paragraph (1)(ii) of that Article shall be deemed to be replaced with "Interim Consolidated Financial Statements," the phrase "in or after the Consolidated Fiscal Year following the Consolidated Fiscal Year" in item (xi) of that paragraph shall be deemed to be replaced with "after the last day of the Interim Consolidated Accounting Period," and the term "consolidated profit and loss statement" in item (xii) of that paragraph and paragraph (3), item (i) shall be deemed to be replaced with "interim consolidated profit and loss statement."

(Notes in Cases of Having Applied the Pooling of Interest Method)

Article 17-5 The provisions of Article 8-18 (excluding paragraph (4)) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the case of having applied the Pooling of Interest Method. In this case, the term "business year" in that Article shall be deemed to be replaced with "Interim Consolidated Accounting Period," the phrase "in the Financial Statements" in paragraph (1), item (iii) of that Article shall be deemed to be replaced with "in the Interim Consolidated Financial Statements," and the term "balance sheet" in paragraph (3) of that Article shall be deemed to be replaced with "interim consolidated balance sheet."

(Notes on Common Control Transactions, etc.)

Article 17-6 The provisions of Article 8-20 (excluding paragraph (3)) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to a Common Control Transaction, etc. In this case, the term "business year" in that Article shall be deemed to be replaced with "Interim Consolidated Accounting Period."

(Notes on Formation of Jointly Controlled Enterprises)

Article 17-7 The provisions of Article 8-22 (excluding paragraph (3)) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to formation of jointly controlled enterprises. In this case, the term "business year" in that Article shall be deemed to be replaced with "Interim Consolidated Accounting Period."

(Notes on Business Divestitures)

Article 17-8 The provisions of Article 15-16 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to a Business Divestiture. In this case, the term "Consolidated Fiscal Year" in paragraph (1) of that Article shall be deemed to be replaced with "Interim Consolidated Accounting Period" and the term "consolidated profit and loss statement" in item (iv) of

that paragraph shall be deemed to be replaced with "interim consolidated profit and loss statement."

(Notes on the Successor Enterprise)

Article 17-9 The provisions of Article 8-24 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to a Business Divestiture.

(Notes on the Business Combination of a Subsidiary Company)

Article 17-10 The provisions of Article 15-18 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to a Business Combination of a Subsidiary Company. In this case, the term "Consolidated Financial Statements" in paragraph (1) of that Article shall be deemed to be replaced with "Interim Consolidated Financial Statements," the term "Consolidated Fiscal Year" in that Article shall be deemed to be replaced with "Interim Consolidated Accounting Period," and the term "consolidated profit and loss statement" in paragraph (1), item (iv) of that Article shall be deemed to be replaced with "interim consolidated profit and loss statement."

(Notes on Significant Post-Balance Sheet Events, etc. Related to Business Combinations)

Article 17-11 The provisions of Article 8-25 (excluding paragraph (3)) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to a Significant Post-Balance Sheet Event, etc. related to a Business Combination. In this case, the term "balance sheet date" in that Article shall be deemed to be replaced with "interim consolidated closing date."

(Notes on Significant Post-Balance Sheet Events, etc. Related to Business Divestitures)

Article 17-12 The provisions of Article 8-26 (excluding the provisions of paragraph (3)) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to a Significant Post-Balance Sheet Event, etc. related to a Business Divestiture. In this case, the term "balance sheet date" in paragraphs (1) and (2) of that Article shall be deemed to be replaced with "interim consolidated closing date."

(Notes on Significant Post-Balance Sheet Events, etc. Related to the Business Combination of a Subsidiary Company)

Article 17-13 The provisions of Article 15-21 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to a Significant Post-Balance Sheet Event, etc. related to a Business Combination of a Subsidiary Company. In this case, the term "consolidated closing date" in that Article



shall be deemed to be replaced with "interim consolidated closing date."

(Notes on the Going Concern Assumption)

Article 17-14 The provisions of Article 5-18 of the Ordinance on Interim Financial Statements, etc. shall apply mutatis mutandis to a Company Submitting Interim Consolidated Financial Statements. In this case, the term "interim balance sheet date" in that Article shall be deemed to be replaced with "interim consolidated closing date" and the term "Interim Financial Statements" in item (iv) of that Article shall be deemed to be replaced with "Interim Consolidated Financial Statements."

(Notes on Asset Retirement Obligations)

Article 17-15 The provisions of Article 8-28 (excluding item (i), sub-items (a) and (b)) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to Asset Retirement Obligations. In this case, the terms "balance sheet" and "the relevant business year" in that Article shall be deemed to be replaced with "interim consolidated balance sheet" and "the current Interim Consolidated Accounting Period" respectively.

(Method of Notation)

Article 18 (1) The notes to be stated pursuant to the provisions of this Ordinance shall be entered immediately after the entries under the provisions of Articles 10 and 11; provided, however, that this shall not apply in the following cases:

- (i) where matters related to those that were entered pursuant to the provisions of Article 10 were entered together with them; or
- (ii) in cases where notes that it is found appropriate to enter as Footnotes (meaning entering notes at the end of the table or account statement contained in the Interim Consolidated Financial Statements in which the matters pertaining to said notes are entered) are entered as Footnotes.

(2) Notwithstanding the provisions of the preceding paragraph, the notes under the provisions of Article 17-14 shall be entered immediately after the interim consolidated Cash Flow statement. In this case, notwithstanding the provisions of Article 10, paragraph (1), the matters to be entered under the provisions of that Article shall be entered immediately after the notes under the provisions of Article 17-14.

(3) Where notes related to a specific account title are entered pursuant to the provisions of this Ordinance, the association between said account title and said notes shall be made clear by appending a symbol to said account title or by other similar method.

(Units for Presenting Amounts)

Article 19 The amounts in the account titles and any other matters contained in Interim Consolidated Financial Statements shall be presented in units of millions of yen or thousands of yen.

## **Chapter II Interim Consolidated Balance Sheets**

### **Section 1 General Provisions**

(Method of Entry in an Interim Consolidated Balance Sheet)

Article 20 (1) The method of entry in an interim consolidated balance sheet shall be in accordance with the provisions of this Chapter.

(2) Entry in an interim consolidated balance sheet shall be in accordance with Form No. 4.

(Classification into Assets, Liabilities and Net Assets)

Article 21 Assets, liabilities and net assets shall be entered by respectively classifying them into an assets section, a liabilities section, and a net assets section.

(Arrangement of Account Titles)

Article 22 The account titles of assets and liabilities shall be arranged by using the method of current arrangement.

### **Section 2 Assets**

(Classification of Assets)

Article 23 Assets shall be entered by classifying them into current assets, fixed assets and deferred assets, and assets categorized as fixed assets shall be further classified into tangible fixed assets, intangible fixed assets, investments, and any other assets.

(Scope of Each Class of Assets)

Article 24 The provisions of Articles 15 to 16-3 inclusive, 22, 27, 31 to 31-4 inclusive, and 36 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the scopes of current assets, tangible fixed assets, intangible fixed assets, investments and other assets, and deferred assets. In this case, the term "Within One Year" in Articles 15 to 16-3 of the Ordinance on Financial Statements, etc. shall be deemed to be replaced with "on a day within one year from the day following the interim consolidated closing date" and the term "the Company Submitting Financial Statements" in Article 22, item (viii) and Article 27, item (xii) of the Ordinance on Financial Statements, etc. shall be deemed to be replaced with "a Consolidated Company."

(Separate Presentation of Current Assets)

Article 25 (1) Assets categorized as current assets shall be set down under account titles with names that are indicative of said assets, in accordance with the following classification of items; provided, however, that assets categorized under any of said items whose amount is not more than one percent of the total amount of assets and which it is found appropriate to present collectively with assets categorized under another item, may be set down collectively under an account title with an appropriate name:

- (i) cash and deposits;
  - (ii) negotiable instruments receivable and accounts receivable;
  - (iii) lease receivables and lease investment assets (limited to those that have arisen based on ordinary transactions, and excluding Claims in Bankruptcy, Reorganization, etc. (meaning the claims in bankruptcy, reorganization, etc. defined in Article 8-10, paragraph (1), item (ix) of the Ordinance on Financial Statements, etc.) that are clearly not collectible within one year);
  - (iv) securities;
  - (v) Inventory Assets (meaning the assets listed in Article 15, items (v) to (x) inclusive of the Ordinance on Financial Statements, etc.); and
  - (vi) others.
- (2) Where it is found appropriate to present assets categorized under any of the entries set forth in the items of the preceding paragraph separately, the provisions of that paragraph shall not preclude said assets from being set down separately under an account title with a name that is indicative of said assets.
- (3) Among the assets set forth in paragraph (1), item (vi), any asset of which the amount exceeds five percent of the total amount of assets shall be set down separately under an account title with a name that is indicative of said assets.

(Indication of Allowances Related to Current Assets)

Article 26 The provisions of Article 20 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to allowances related to assets that are categorized as current assets.

(Separate Presentation of Tangible Fixed Assets)

Article 27 (1) Assets categorized as tangible fixed assets shall be set down collectively under an account title with a name that is indicative of tangible fixed assets; provided, however, that this shall not preclude assets categorized as tangible fixed assets from being classified into an entry that is found to be appropriate, and setting them down under an account title with a name that is indicative of said assets.

- (2) Notwithstanding the provisions of the preceding paragraph, in cases where

assets categorized as tangible fixed assets include any asset whose amount exceeds five percent of the total amount of assets, said asset shall be separated from other tangible fixed assets and shall be set down under an account title with a name that is indicative of each such asset.

(Indication of the Amounts of Accumulated Depreciation)

Article 28 The provisions of Articles 25 and 26 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the amounts of accumulated depreciation for buildings, structures, and any other tangible fixed assets.

(Indication of the Amounts of Accumulated Impairment Losses)

Article 28-2 The provisions of Article 26-2 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the amounts of accumulated impairment losses for tangible fixed assets.

(Separate Presentation of Intangible Fixed Assets)

Article 29 (1) Assets categorized as intangible fixed assets shall be set down under account titles with names that are indicative of said assets, in accordance with the following classification of items; provided, however, that assets categorized under the item set forth in item (i) whose amount is not more than one percent of the total amount of assets may be set down collectively with assets categorized under item (ii):

(i) goodwill; and

(ii) others.

(2) Among the assets set forth in item (ii) of the preceding paragraph, any asset of which the amount exceeds five percent of the total amount of assets shall be set down separately under an account title with a name that is indicative of said assets.

(3) A difference that results from investments by Consolidated Companies being in excess of the amount of corresponding equity of Consolidated Subsidiary Companies shall be presented by including it into goodwill.

(Presentation of Amounts of Accumulated Amortization for Intangible Fixed Assets)

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

(Entries in the Section for Investments and Other Assets)

Article 31 (1) Assets categorized as investments and other assets shall be collectively set down under an account title with a name that is indicative of

investments and other assets; provided, however, that this shall not preclude investments and other assets from being classified under an item that is found to be appropriate, and setting it down under an account title with a name that is indicative of said assets.

(2) The provisions of Article 27, paragraph (2) shall apply mutatis mutandis to investments and other assets.

(Recording of Allowances Related to Investments and Other Assets)

Article 32 The provisions of Article 20 of the Ordinance on Financial Statements, etc. as applied mutatis mutandis pursuant to Article 34 of that Ordinance shall apply mutatis mutandis to allowances related to assets categorized as investments and other assets.

(Separate Presentation of Deferred Assets)

Article 33 (1) Assets categorized as deferred assets shall be collectively set down under an account title with a name that is indicative of deferred assets; provided, however, that this shall not preclude one from classifying assets categorized as deferred assets into an item that is found to be appropriate, and setting it down under an account title with a name that is indicative of said assets.

(2) The provisions of Article 27, paragraph (2) shall apply mutatis mutandis to deferred assets.

(Recording of Amounts of Accumulated Amortization for Deferred Assets)

Article 34 The provisions of Article 38 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the amounts of accumulated amortization for deferred assets.

(Notes on Collateral Assets)

Article 35 The provisions of Article 43 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to assets that have been provided as collateral.

### **Section 3 Liabilities**

(Classification of Liabilities)

Article 36 Liabilities shall be entered by classifying them into current liabilities and fixed liabilities.

(Scope of Each Class of Liabilities)

Article 37 The provisions of Articles 47 to 48-4 inclusive and 51 to 51-4 inclusive

of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the scopes of current liabilities and fixed liabilities. In this case, the term "Within One Year" in Articles 47 and 48-2 to 48-4 inclusive of the Ordinance on Financial Statements, etc. shall be deemed to be replaced with "on a day within one year from the day following the interim consolidated closing date."

(Separate Presentation of Current Liabilities)

Article 38 (1) Liabilities categorized as current liabilities shall be set down under account titles with names that are indicative of said liabilities, in accordance with the following classification of items; provided, however, that liabilities categorized under an item other than that set forth in item (v) whose amount is not more than one percent of the combined total of liabilities and net assets and which it is found appropriate to present collectively with liabilities categorized under another item, may be set down collectively under an account title with an appropriate name:

- (i) negotiable instruments payable and accounts payable;
- (ii) short-term borrowings (including finance negotiable instruments and overdrafts);
- (iii) lease obligations;
- (iv) accrued Corporate Tax, etc.;
- (v) allowances;
- (vi) Asset Retirement Obligations; and
- (vii) others.

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

(3) In cases where the allowances set forth in paragraph (1), item (v) include any allowance whose amount exceeds one percent of the combined total of liabilities and net assets, said allowance shall be separately set down under an account title with a name that is indicative of the purpose of establishment of said allowance.

(4) Among the liabilities categorized under the item set forth in paragraph (1), item (vii), any liability whose amount exceeds five percent of the combined total of liabilities and net assets shall be set down under an account title with a name that is indicative of said liability.

(Separate Presentation of Fixed Liabilities)

Article 39 (1) Liabilities categorized as fixed liabilities shall be set down under account titles with names that are indicative of said liabilities, in accordance

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

- (i) corporate bonds;
  - (ii) long-term borrowings (including finance negotiable instruments; the same shall apply hereinafter)
  - (iii) lease obligations;
  - (iv) allowances;
  - (v) Asset Retirement Obligations;
  - (vi) negative goodwill; and
  - (vii) others.
- (2) The provisions of paragraph (2) of the preceding Article shall apply mutatis mutandis to the cases set forth in the preceding paragraph.
- (3) The provisions of paragraph (3) of the preceding Article shall apply mutatis mutandis to the allowances set forth in paragraph (1), item (iv).
- (4) The provisions of paragraph (4) of the preceding Article shall apply mutatis mutandis to liabilities categorized under the item set forth in paragraph (1), item (vii).
- (5) A difference that results from investments by Consolidated Companies falling short of the amount of corresponding equity of Consolidated Subsidiary Companies shall be presented by including it into negative goodwill.

(Notes on Contingent Liabilities)

Article 40 In cases where there are Contingent Liabilities (meaning guarantees of debts (including acts that have the same effect as a debt guarantee), obligations to compensate in relation to contentious cases, and other liabilities that have not arisen in reality but may be borne by the business in the future) pertaining to any Consolidated Company, the contents and amounts thereof shall be stated in the notes; provided, however, that notes may be omitted for matters having little significance.

(Notes on the Amount of Discount on Negotiable Instruments and the Amount of Transfer by Endorsement)

Article 41 The provisions of Article 58-2 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to negotiable instruments that have been discounted or that have been transferred by endorsement for the purpose repaying debts.

(Presentation of Goodwill and Negative Goodwill)

Article 41-2 The provisions of Article 54-2 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the goodwill set forth in Article 29, paragraph (1), item (i) and the negative goodwill set forth in Article 39, paragraph (1), item (vi).

(Notes on Specified Accounts Pertaining to a Business Combination)

Article 41-3 The provisions of Article 56 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to specified accounts pertaining to a Business Combination.

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

Article 42 The provisions of Article 54-4 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the presentation of Inventory Assets and reserves for loss on construction contracts.

Article 43 Deleted.

#### **Section 4 Net Assets**

(Classification of Net Assets)

Article 44 Net assets shall be entered by classifying them into shareholders' equity, valuation and translation adjustments, share options, and Minority Shareholders' Equity.

(Classification of and Separate Presentation of Shareholders' Equity)

Article 45 (1) Shareholders' equity shall be classified into stated capital, capital surplus, and retained earnings, and shall be set down under the account titles of stated capital, capital surplus, and retained earnings respectively.

(2) The provisions of Article 62, Article 63, paragraph (2), and Article 65, paragraph (2) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to a deposit for subscriptions to shares and to any reserves specified by law that are equivalent to capital reserves or retained earnings reserves.

(3) The provisions of Article 43, paragraphs (3) and (4) of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to Treasury Shares and a deposit for subscriptions to Treasury Shares.

(Classification of and Separate Presentation of Valuation and Translation Adjustments)



Article 45-2 The provisions of Article 43-2 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to valuation and translation adjustments.

(Presentation of Share Options)

Article 45-3 The provisions of Article 43-3 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to share options. In this case, the term "Consolidated Financial Statements" in paragraph (2) of that Article shall be deemed to be replaced with "Interim Consolidated Financial Statements."

(Presentation of Minority Shareholders' Equity)

Article 45-4 Minority Shareholders' Equity shall be set down under the account title of Minority Shareholders' Equity.

(Notes on the Per-Share Amount of Net Assets)

Article 46 The per-share amount of net assets shall be stated in the notes.

## **Section 5 Miscellaneous Provisions**

(Reserves, etc. under Special Laws)

Article 47 (1) Reserves or allowances that must be reported under the name of reserves or allowances pursuant to the provisions of laws and regulations and that are inappropriate to be reported in the assets section or the liabilities section (hereinafter referred to as "Reserves, etc.") shall be entered under a separate classification that has been added immediately after fixed liabilities, notwithstanding the provisions of Articles 22 and 36.

(2) Reserves, etc. shall be set down under an account title with a name that is indicative of the purpose of establishment of said Reserves, etc., and the provisions of law or regulations that provide for the reporting thereof shall be stated in the notes.

(3) With regard to Reserves, etc., the distinction of whether or not they are recognized as reserves used within one year shall be stated in the notes; provided, however, that this shall not apply when it is difficult to make such distinction.

(Statement of the Assets and Liabilities of a Separately Indicated Business)

Article 48 In cases where the main business of a Business Group is a business set forth in the appended list of the Ordinance on Financial Statements, etc. (hereinafter referred to as a "Separately Indicated Business"), if it is found to be inappropriate that it enter its assets and liabilities by classification under

the provisions of Articles 23 and 36, notwithstanding these provisions, said assets and liabilities may be entered by an equivalent classification to that specified by Laws, Regulations or Rules (meaning the laws, regulations, or Rules prescribed in Article 2 of the Ordinance on Financial Statements, etc.; the same shall apply hereinafter) applicable to the financial statements of the company(ies) engaged in said Separately Indicated Business.

(Entry of the Net Assets of Designated Juridical Persons)

Article 49 In cases where a Designated Juridical Person prepares an interim consolidated balance sheet, if it is found inappropriate to state its net assets pursuant to this Ordinance, said Designated Juridical Person may state its net assets in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to its financial statements. In this case, the governing Law, Regulations, or Rules shall be stated in the notes.

(Statement of Account Titles for Assets and Liabilities of a Separately Indicated Business)

Article 50 (1) In cases where the business conducted by any Consolidated Company includes a Separately Indicated Business, if it is found to be inappropriate that it enter the account titles for assets and liabilities of said Separately Indicated Business according to the classification of the items prescribed in Article 25, paragraph (1), Article 27, paragraph (1), Article 29, paragraph (1), Article 31, paragraph (1), Article 38, paragraph (1), and Article 39, paragraph (1), notwithstanding these provisions, said account titles may be entered in an equivalent manner as under the provisions of Laws, Regulations, or Rules applicable to the financial statements of the company engaged in said Separately Indicated Business.

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

### **Chapter III Interim Consolidated Profit and Loss Statements**

#### **Section 1 General Provisions**

(Method of Entry in an Interim Consolidated Profit and Loss Statement)

Article 51 (1) The method of entry in an interim consolidated profit and loss statement shall be in accordance with the provisions of this Chapter.

(2) Entry in an interim consolidated profit and loss statement shall be in accordance with Form No. 5.

(Classification of Revenues and Expenses)

Article 52 Revenues and expenses shall be entered by classifying them into account titles with names that are indicative of the following items:

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

### **Section 2 Net Sales and the Cost of Sales**

(Presentation of Net Sales)

Article 53 Net sales shall be set down under an account title with a name that is indicative of net sales.

(Presentation of the Cost of Sales)

Article 54 The cost of sales shall be set down under an account title with a name that is indicative of the cost of sales.

(Presentation of the Gross Profits or Losses on Sales)

Article 55 The amount of difference between net sales and the cost of sales shall be entered as the gross profit on sales or the gross loss on sales.

### **Section 3 Selling Expenses and General and Administrative Expenses**

(Presentation of Selling Expenses and General and Administrative Expenses)

Article 56 (1) Selling expenses and general and administrative expenses shall be classified into expense items that are found to be appropriate, and be set down under account titles with names that are indicative of said expenses; provided, however, that this shall not preclude said expenses from being set down under the account title of selling expenses, the account title of general and administrative expenses, or the account title of selling expenses and general and administrative expenses collectively, and from the major expense items and amounts thereof being entered in the notes.

(2) The major expense items prescribed in the proviso to the preceding paragraph shall be the provision of allowances (excluding such expense items of which the amount is small) and any other expense items whose amount exceeds ten percent of the combined total of selling expenses and general and administrative expenses.

(Presentation of the Amount of Operating Income and Losses)

Article 57 The amount obtained by adjusting the gross profit on sales or the gross loss on sales by adding or subtracting the total amount of selling expenses and general and administrative expenses shall be entered as the amount of operating income or the amount of operating losses.

#### **Section 4 Non-operating Revenues and Non-operating Expenses**

(Presentation of Non-operating Revenues)

Article 58 Revenues categorized as non-operating revenues shall be set down under account titles with names that are indicative of said revenues, by classification as interest income (including interest on securities), dividends income, gain on sales of securities, amortized amount of negative goodwill, investment return under the Equity Method, and others; provided, however, that any revenues whose amounts are not more than ten percent of the total amount of non-operating revenues and that it is found appropriate to present collectively may be set down under an account title with a name that is indicative of all of said revenues.

(Presentation of Non-operating Expenses)

Article 59 Expenses categorized as non-operating expenses shall be set down under account titles with names that are indicative of said expenses, by classification as interest expenses (including interest on corporate bonds), losses on sales of securities, investment losses under the Equity Method, and others; provided, however, that any expenses whose amounts are not more than ten percent of the total amount of non-operating expenses and that it is found appropriate to present collectively, may be set down under an account title with a name that is indicative of all of said expenses.

(Presentation of the Amount of Ordinary Income and Losses)

Article 60 The amount obtained by adjusting the amount of operating income or the amount of operating losses by adding or subtracting the total amount of non-operating revenues or the total amount of non-operating expenses shall be entered as the amount of ordinary income or the amount of ordinary losses.

#### **Section 5 Extraordinary Income and Extraordinary Losses**

(Presentation of Extraordinary Income)

Article 61 Profits categorized as extraordinary income shall be set down under account titles with names that are indicative of said profits, by classification as gains on a prior period adjustment, gains on sales of fixed assets, and others;

provided, however, that any profits whose amounts are not more than ten percent of the total amount of extraordinary income and that it is found appropriate to present collectively may be set down under an account title with a name that is indicative of all of said profits.

(Presentation of Extraordinary Loss)

Article 62 Losses categorized as extraordinary loss shall be set down under account titles with names that are indicative of said losses, by classification as losses on a prior period adjustment, losses on sales of fixed assets, impairment losses, losses from a disaster, and others; provided, however, that any losses whose amounts are not more than ten percent of the total amount of extraordinary loss that it is found appropriate to present collectively may be set down under an account title with a name that is indicative of all of said losses.

(Notes on Impairment Losses)

Article 62-2 The provisions of Article 95-3-2 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to assets or Asset Groups (meaning the asset groups defined in that Article) for which impairment losses have been recognized.

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

Article 62-3 The provisions of Article 95-3-3 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis pursuant to gains on reversal of specified accounts pertaining to a Business Combination.

(Presentation of Interim Net Income or Interim Net Losses Before Taxes)

Article 63 The amount obtained by adjusting the amount of ordinary income or the amount of ordinary losses by adding or subtracting the total amount of extraordinary income or the total amount of extraordinary losses shall be presented as the amount of interim net income before taxes or the amount of interim net losses before taxes.

## **Section 6 Interim Net Income or Interim Net Losses**

(Interim Net Income or Interim Net Losses)

Article 64 (1) The amounts of the items listed in the following items shall be entered under account titles with names that are indicative of the contents thereof, immediately after the amount of interim net income before taxes or the amount of interim net loss before taxes:

- (i) the corporate tax, inhabitants tax, and Enterprise Tax (meaning the enterprise tax imposed on amounts related to profits as the tax base; the same shall apply in the following item) for the current Interim Consolidated Accounting Period;
  - (ii) the Deferred Corporate Tax, etc. (meaning adjustments on the corporate tax, inhabitants tax, and Enterprise Tax set forth in the preceding item, which are reported through the application of Tax Effect Accounting); and
  - (iii) the amount of interim net income before taxes or the amount of interim net losses before taxes, which represents Minority Shareholders' Equity.
- (2) The items listed in the items (i) and (ii) of the preceding paragraph may be entered collectively; provided, however, that a entry to that effect shall be set down in the notes in such a case.
- (3) The amount obtained by adjusting the amount of interim net income before taxes or the amount of interim net losses before taxes by adding or subtracting the amounts of the items listed in the respective items of paragraph (1) shall be stated as the amount of interim net income or the amount of interim net losses.
- (4) In cases where there are taxes paid or taxed refunded due to a correction of or a determination, etc. on Corporate Tax, etc., these shall be entered under an account title with a name that is indicative of the contents thereof, immediately after the item set forth in paragraph (1), item (i); provided, however, that such amounts may be presented by including them in the amount of the item set forth in paragraph (1), item (i) in cases where such amounts have little significance.

(Notes on the Per-Share Amount of Interim Net Income or Losses)

- Article 65 (1) The per-share amount of interim net income or per-share amount of interim net losses, and the basis for calculation of said amounts shall be stated in the notes.
- (2) The provisions of Article 95-5-2, paragraph (2) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to the diluted per-share amount of interim net income. In this case, the terms "Amount of Net Income for the Period" and "Amount of Net Losses for the Period" in that paragraph shall be deemed to be replaced with "amount of interim net income" and "amount of interim net losses" respectively.
- (3) The provisions of Article 52-2, paragraph (3) of the Ordinance on Interim Financial Statements, etc. shall apply mutatis mutandis to cases where any reverse stock split or stock split has been carried out during the period from the day following the last day of the previous Interim Consolidated Accounting Period to the end of the previous consolidated fiscal year. In this case, the term "previous interim accounting period" in the proviso to that paragraph and item

(ii) of that paragraph shall be deemed to be replaced with "previous Interim Consolidated Accounting Period," and the term "previous business year" in item (ii) of that paragraph shall be deemed to be replaced with "previous consolidated fiscal year."

(4) The provisions of Article 52-2, paragraph (4) of the Ordinance on Interim Financial Statements, etc. shall apply mutatis mutandis to cases where any reverse stock split or stock split has been carried out during the current Interim Consolidated Accounting Period. In this case, the term "previous business year" in the proviso to that paragraph and item (iii) of that paragraph shall be deemed to be replaced with "previous consolidated fiscal year."

(5) The provisions of Article 52-2, paragraph (5) of the Ordinance on Interim Financial Statements, etc. shall apply mutatis mutandis to cases where any reverse stock split or stock split has been carried out after the current interim consolidated balance sheet date. In this case, the term "current interim accounting period" in the proviso to that paragraph and item (iv) of that paragraph shall be deemed to be replaced with "current Interim Consolidated Accounting Period."

#### **Section 7 Miscellaneous Provisions**

(Presentation of the Amortized Amount of Goodwill or Negative Goodwill, etc.)

Article 66 (1) The provisions of Article 97 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to presentation of the amortized amount of goodwill or negative goodwill.

(2) In cases where investment returns and investment losses under the Equity Method arise, the amount obtained by offsetting one against the other may be presented.

(Addition to or Reversal of Reserves, etc. under Special Laws)

Article 67 If there has been an addition to or reversal of Reserves, etc., the amount of the addition or reversal shall be set down as an extraordinary loss or extraordinary income under an account title with a name that is indicative of the fact that the amount results from said addition or reversal.

(Notes on Substantial Seasonal Fluctuations in Net Sales or Operating Expenses)

Article 68 In cases where there are substantial seasonal fluctuations in net sales or Operating Expenses (meaning the combined total of the cost of sales, selling expenses, and general and administrative expenses) due to the nature of the business, the context of such fluctuations shall be stated in the notes.

(Classification of Revenues and Expenses of a Separately Indicated Business)

Article 69 In cases where the main business of a Business Group is a Separately Indicated Business, if it is found inappropriate to enter its revenues and expenses by classifying them into the items prescribed in Article 52, notwithstanding the provisions of that Article, said revenues and expenses may be entered in an equivalent manner as under the provisions of Laws, Regulations, or Rules applicable to the financial statements of the company(ies) engaged in said Separately Indicated Business.

(Entry of Account Titles for the Revenues and Expenses of a Separately Indicated Business)

Article 70 (1) In cases where the business engaged in by any Consolidated Company includes a Separately Indicated Business, if it is found inappropriate to enter the account titles for revenues and expenses of said Separately Indicated Business according to the provisions of Article 53, Article 54, Article 56, Article 58, and Article 59, notwithstanding these provisions, said account titles may be entered in an equivalent manner as under the provisions of Laws, Regulations, or Rules applicable to the financial statements of the company engaged in said Separately Indicated Business.

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

## **Chapter IV Interim Consolidated Statements of Changes in Shareholders' Equity**

### **Section 1 General Provisions**

(Method of Entry in an Interim Consolidated Statement of Changes in Shareholders' Equity)

Article 71 (1) The method of entry in an interim consolidated statement of changes in shareholders' equity shall be in accordance with the provisions of this Chapter.

(2) An interim consolidated statement of changes in shareholders' equity shall be entered in accordance with Form No. 6.

(Separate Presentation in Interim Consolidated Statements of Changes in Shareholders' Equity)

Article 72 (1) In an interim consolidated statement of changes in shareholders' equity, entries shall be classified into shareholders' equity, valuation and translation adjustments, share options, and Minority Shareholders' Equity.

(2) In an interim consolidated statement of changes in shareholders' equity,



items shall be classified appropriately, and shall be set down under account titles with names that are indicative of said items. Said items and account titles shall be consistent with the items and account titles in the net asset section of the consolidated balance sheet at the end of the previous Consolidated Fiscal Year and the interim consolidated balance sheet at the end of the current Interim Consolidated Accounting Period.

## **Section 2 Shareholders' Equity**

- Article 73 (1) Shareholders' equity shall be entered by classifying it into the balance at the end of the previous consolidated fiscal year, the amount of changes during the current Interim Consolidated Accounting Period, and the balance at the end of the current Interim Consolidated Accounting Period.
- (2) The amount of changes during the current Interim Consolidated Accounting Period for the account titles entered under shareholders' equity shall be entered for each cause of such changes.
- (3) Dividends of surplus shall be presented as a cause of changes in capital surpluses or retained earnings.
- (4) The amount of interim net income or the amount of interim net loss shall be presented as a cause of changes in retained earnings.

## **Section 3 Valuation and Translation Adjustments**

- Article 74 (1) Valuation and translation adjustments shall be entered by classifying them into the balance at the end of the previous consolidated fiscal year, the amount of changes during the current Interim Consolidated Accounting Period, and the balance at the end of the current Interim Consolidated Accounting Period.
- (2) With regard to the account titles stated under valuation and translation adjustments, the amount of changes during the current Interim Consolidated Accounting Period shall be entered collectively; provided, however, that this shall not preclude such amounts from being entered or stated in the notes for each major cause of the changes.

Article 75 The provisions of Article 104 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to valuation and translation adjustments. In this case, the terms "Article 100, paragraph (2)," "the end of the previous business year," "the amount of changes during the current business year," and "the end of the current business year" in that Article shall be deemed to be replaced with "Article 72, paragraph (2)," "the end of the previous consolidated fiscal year," "the amount of changes during the current

Interim Consolidated Accounting Period," and "the end of the current Interim Consolidated Accounting Period" respectively.

#### **Section 4 Share Options**

Article 76 (1) Share options shall be entered by classifying them into the balance at the end of the previous consolidated fiscal year, the amount of changes during the current Interim Consolidated Accounting Period, and the balance at the end of the current Interim Consolidated Accounting Period.

(2) The amount of changes during the current Interim Consolidated Accounting Period for share options shall be entered collectively; provided, however, that this shall not preclude such amount from being entered or stated in the notes for each major cause of the changes.

#### **Section 5 Minority Shareholders' Equity**

Article 77 (1) Minority Shareholders' Equity shall be entered by classifying it into the balance at the end of the previous consolidated fiscal year, the amount of changes during the current Interim Consolidated Accounting Period, and the balance at the end of the current Interim Consolidated Accounting Period.

(2) The amount of changes during the current Interim Consolidated Accounting Period for Minority Shareholders' Equity shall be entered collectively; provided, however, that this shall not preclude such amount from being entered or stated in the notes for each major cause of the changes.

#### **Section 6 Matters to Be Stated in the Notes**

(Notes on Issued Shares)

Article 78 The provisions of Article 106, paragraph (1) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to issued shares. In this case, the terms "the end of the previous business year," "the end of the current business year" and "during the current business year" in item (i) of that paragraph shall be deemed to be replaced with "the end of the previous consolidated fiscal year," "the end of the current Interim Consolidated Accounting Period" and "during the current Interim Consolidated Accounting Period" respectively.

(Notes on Treasury Shares)

Article 79 The provisions of Article 107 of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to Treasury Shares. In this case, the terms "the end of the previous business year," "the end of the current

business year" and "during the current business year" in item (i) of that Article shall be deemed to be replaced with "the end of the previous consolidated fiscal year," "the end of the current Interim Consolidated Accounting Period" and "during the current Interim Consolidated Accounting Period" respectively.

(Notes on Share Options, etc.)

Article 80 The provisions of Article 79 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to share options and treasury share options. In this case, the term "the end of the Consolidated Fiscal Year" in paragraph (1), item (iii) and paragraph (4) of that Article shall be deemed to be replaced with "the end of the Interim Consolidated Accounting Period," the terms "the end of the current Consolidated Fiscal Year" and "during the current Consolidated Fiscal Year" in paragraph (3) of that Article shall be deemed to be replaced with "the end of the current Interim Consolidated Accounting Period" and "during the current Interim Consolidated Accounting Period," and the term "Consolidated Financial Statements" in paragraph (4) and paragraph (5), item (i) of that Article shall be deemed to be replaced with "Interim Consolidated Financial Statements."

(Notes on Dividends)

Article 81 The provisions of Article 109, paragraph (1) of the Ordinance on Financial Statements, etc. shall apply mutatis mutandis to dividends. In this case, the terms "the current business year" and "be contained in the following business year" in item (iii) of that paragraph shall be deemed to be replaced with "the current Interim Consolidated Accounting Period" and "be after the last day of the current Interim Consolidated Accounting Period" respectively.

## **Section 7 Miscellaneous Provisions**

Article 82 In cases where a Designated Juridical Person prepares an interim consolidated statement of changes in shareholders' equity, if it is found inappropriate to state matters pursuant to this Ordinance, said Designated Juridical Person may state matters in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to its financial statements.

## **Chapter V Interim Consolidated Cash Flow Statement**

### **Section 1 General Provisions**

(Method of Entry in an Interim Consolidated Cash Flow Statement)

Article 83 (1) The method of entry in an interim consolidated Cash Flow

statement shall be in accordance with the provisions of this Chapter.

(2) An interim consolidated Cash Flow statement shall be entered in accordance with Form No. 7 or Form No. 8.

(Classification for Presenting an Interim Consolidated Cash Flow Statement)

Article 84 In an interim consolidated Cash Flow statement, Cash Flow conditions shall be stated for the following classes:

- (i) Cash Flow from operating activities;
- (ii) Cash Flow from investment activities;
- (iii) Cash Flow from financing activities;
- (iv) translation adjustments on cash and Cash Equivalents;
- (v) increase or decrease in cash and Cash Equivalents;
- (vi) the beginning balances of cash and Cash Equivalents; and
- (vii) the balances of cash and Cash Equivalents at the end of the interim period.

### **Section 2 Method of Entry in an Interim Consolidated Cash Flow Statement**

(Presentation of Cash Flows from Operating Activities)

Article 85 The provisions of Articles 84 to 89 of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to the method of entry in an interim consolidated Cash Flow statement. In this case, the terms "the amount of net income for the period before taxes or the amount of net loss for the period before taxes" and "consolidated profit and loss statement" in Article 84, item (ii) of the Ordinance on Consolidated Financial Statements shall be deemed to be replaced with "the amount of interim net income before taxes or the amount of interim net loss before taxes" and "interim consolidated profit and loss statement" respectively.

(Matters to Be Stated in the Notes in an Interim Consolidated Cash Flow Statement)

Article 86 The relationship between the balances of cash and Cash Equivalents at the end of the interim period and the amounts for the account titles set down in the interim consolidated balance sheet shall be stated in the notes in an interim consolidated Cash Flow statement.

### **Chapter VI Miscellaneous Provisions**

Article 87 The provisions of Articles 93 to 96 inclusive of the Ordinance on Consolidated Financial Statements shall apply mutatis mutandis to the terminology, forms, and preparation methods of Interim Consolidated

Financial Statements. In this case, the term "Consolidated Financial Statements" shall be deemed to be replaced with "Interim Consolidated Financial Statements."

**Supplementary Provisions [Cabinet Office Ordinance No. 12 of March 26, 2002] [Extract]**

- (1) This Cabinet Office Ordinance shall come into effect as from April 1, 2002.
- (4) The terminology, forms, and preparation methods for the Interim Consolidated Financial Statements to be submitted by a Company Submitting Interim Consolidated Financial Statements which has submitted U.S.-style Consolidated Financial Statements for the first Consolidated Fiscal Year that commences after the date of enforcement pursuant to the provisions of the Act (such company shall exclude one to which the provisions of Article 81 of the new Ordinance on Interim Consolidated Financial Statements apply) may be, for the time being, the terminology, forms, and preparation methods prescribed in Article 81 of the new Ordinance on Interim Consolidated Financial Statements.