

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

(Ministry of Finance Order No. 38 of August 30, 1977)

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

Chapter I General Provisions (Articles 1 to 7-2)

Chapter II Interim Balance Sheet

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Section 2 Assets (Articles 11 to 25)

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Chapter III Interim Profit and Loss Statement

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Chapter V Interim Cash Flow Statement

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Chapter VI Interim Financial Statements of Specified Companies Complying
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Chapter VII Interim Financial Documents of Foreign Companies (Articles 76 to

Chapter I General Provisions

(General Principles for Application)

Article 1 (1) From among finance and accounting documents (hereinafter referred to as "financial documents") to be submitted pursuant to the provisions of Article 5, Article 7, paragraph (1), 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 any of these provisions are applied mutatis mutandis, pursuant to Article 27 of the Act, to a corporation which has been designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 1, paragraph (1) of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements") (that corporation is hereinafter referred to as a "designated corporation")), the terminology, forms, and preparation methods of interim financial statements (meaning interim balance sheets, interim profit and loss statements, interim statements of changes in net assets, and interim cash flow statements (including documents that are equivalent to these financial documents, and that are prepared for specified trust property defined in Article 38-3) or, if financial documents are prepared pursuant to Designated International Accounting Standards (meaning Designated International Accounting Standards prescribed in Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as "Regulation on Consolidated Financial Statements"); the same applies hereinafter) pursuant to the provisions of Article 74, paragraph (2), equivalents to interim balance sheets, interim profit and loss statements, interim statements of changes in net assets and interim cash flow statements, of which preparation is required pursuant to Designated International Accounting Standards; the same applies hereinafter) are governed by the provisions of this Chapter to Chapter VI, excluding Article 2, and any matters that are not provided for under this Regulation are in accordance with business accounting standards generally accepted as fair and appropriate.

(2) Business accounting standards published by the business accounting council

prescribed in Article 24, paragraph (1) of the Cabinet Order for Organization of the Financial Services Agency (Cabinet Order No. 392 of 1998) are to fall under the business accounting standards generally accepted as fair and appropriate prescribed in the preceding paragraph.

- (3) Business accounting standards specified by the Commissioner of the Financial Services Agency prescribed in Article 1, paragraph (3) of the Regulation on Financial Statements are to fall under the business accounting standards generally accepted as fair and appropriate prescribed in paragraph (1).

(Special Provisions for Application)

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

- (i) that it satisfies either of the following requirements:
- (a) that in the securities registration statements that it submits under the provisions of Article 5, paragraph (1) of the Act (limited to cases in which financial statements for the business year immediately preceding the business year containing the current interim accounting period (hereinafter referred to as the "previous business year") are entered) or in annual securities reports that it submits under the provisions of Article 24, paragraph (1) or (3) of the Act (limited to cases in which financial statements for the previous business year are entered), it gives a statement of special efforts for ensuring the appropriateness of financial statements; and
 - (b) that in the securities registration statements that it submits under the provisions of Article 5, paragraph (1) of the Act or in semiannual securities reports that it submits under the provisions of Article 24-5, paragraph (1) of the Act, it gives a statement of special efforts for ensuring the appropriateness of interim financial statements; and
- (ii) that it has officers or employees who have sufficient knowledge of Designated International Accounting Standards and has established a system under which interim financial statements can be prepared in a proper manner under Designated International Accounting Standards.

(Special Provisions for Foreign Companies)

Article 2 From among the financial documents to be submitted by a foreign company (meaning the foreign company defined in Article 1-3 of the Regulation on Financial Statements; the same applies in Chapter VII), the terminology, forms, and preparation methods of interim financial documents are governed by the provisions of that Chapter.

(Definitions)

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

- (i) company submitting interim financial statements: a company, designated corporation or partnership which is to submit interim financial statements pursuant to the provisions of the Act;
- (ii) financial statements: the financial statements defined in Article 1, paragraph (1) of the Regulation on Financial Statements;
- (iii) interim consolidated financial statements: the interim consolidated financial statements defined in Article 1, paragraph (1) of the Regulation on Terminology, Forms, and Preparation Methods of Interim Consolidated Financial Statements (Ministry of Finance Order No. 24 of 1999);
- (iv) cash flow: any increase or decrease in the funds defined in the following item;
- (v) funds: the combined total of cash (including any current deposits, ordinary deposits, and other deposits which the depositor is able to withdraw without waiting for a certain period to elapse; the same applies in Articles 71 and 73) and cash equivalents (meaning short-term investments which can be easily converted into cash and which involve low risk of fluctuations in value; the same applies in Articles 71 and 73);
- (vi) derivative transactions: the transactions defined in Article 8, paragraph (14) of the Regulation on Financial Statements;
- (vii) trading securities: the securities defined in Article 8, paragraph (20) of the Regulation on Financial Statements;
- (viii) bonds held to maturity: the bonds defined in Article 8, paragraph (21) of the Regulation on Financial Statements;
- (ix) other securities: the securities defined in Article 8, paragraph (22) of the Regulation on Financial Statements;
- (x) treasury shares: shares of a company submitting interim financial statements held by the company submitting interim financial statements itself;
- (xi) company's own shares: shares of a company submitting interim financial statements;
- (xii) options on the company's own shares: the options on the company's own shares defined in Article 8, paragraph (25) of the Regulation on Financial

- Statements;
- (xiii) stock options: the stock options defined in Article 8, paragraph (26) of the Regulation on Financial Statements;
 - (xiv) business combination: the business combination defined in Article 8, paragraph (27) of the Regulation on Financial Statements;
 - (xv) acquiring enterprise: the enterprise defined in Article 8, paragraph (28) of the Regulation on Financial Statements;
 - (xvi) acquired enterprise: the enterprise defined in Article 8, paragraph (29) of the Regulation on Financial Statements;
 - (xvii) combiner: the enterprise defined in Article 8, paragraph (31) of the Regulation on Financial Statements;
 - (xviii) combinee: the enterprise defined in Article 8, paragraph (32) of the Regulation on Financial Statements;
 - (xix) combined enterprise: the enterprise defined in Article 8, paragraph (33) of the Regulation on Financial Statements;
 - (xx) constituent enterprises: the enterprises defined in Article 8, paragraph (34) of the Regulation on Financial Statements;
 - (xxi) reverse acquisition: the reverse acquisition defined in Article 8, paragraph (36) of the Regulation on Financial Statements;
 - (xxii) common control transaction, etc.: the common control transaction, etc. defined in Article 8, paragraph (37) of the Regulation on Financial Statements;
 - (xxiii) business divestiture: the business divestiture defined in Article 8, paragraph (38) of the Regulation on Financial Statements;
 - (xxiv) divesting enterprise: the enterprise defined in Article 8, paragraph (39) of the Regulation on Financial Statements;
 - (xxv) successor enterprise: the enterprise defined in Article 8, paragraph (40) of the Regulation on Financial Statements;
 - (xxvi) financial instruments: the financial instruments defined in Article 8, paragraph (41) of the Regulation on Financial Statements;
 - (xxvii) asset retirement obligations: the asset retirement obligations defined in Article 8, paragraph (42) of the Regulation on Financial Statements;
 - (xxviii) accounting policies: the accounting principles and procedures adopted for the preparation of interim financial statements;
 - (xxix) presentation method: the presentation method adopted for the preparation of interim financial statements;
 - (xxx) accounting estimates: amounts of assets, liabilities, revenues, and expenses, etc. that are reasonably calculated based on the information available at the time of the preparation of interim financial statements in cases where those amounts are uncertain;
 - (xxxi) change in accounting policies: a change of an accounting policy generally

- accepted as fair and appropriate into another accounting policy generally accepted as fair and appropriate;
- (xxxii) change in presentation method: a change of a presentation method generally accepted as fair and appropriate to another presentation method generally accepted as fair and appropriate;
- (xxxiii) change in accounting estimates: a change in an accounting estimate that had been made for the preparation of financial statements for the previous business year or any prior business year or Interim financial statements for the previous interim accounting period or any prior interim accounting period, based on new information that has become available;
- (xxxiv) error: an error arising from the failure to use, or the misuse of, information that was available at the time of the preparation of Interim financial statements or at the time of the preparation of financial statements, regardless of whether or not the act to be the cause thereof was intentional;
- (xxxv) retrospective application: the implementation of accounting processes if by assuming that new accounting policies are retroactively applied to financial statements for the previous business year or any prior business year and interim financial statements for the previous interim accounting period or any prior interim accounting period;
- (xxxvi) reclassification of interim financial statements: a change in the presentation by assuming that a new presentation method is retroactively applied to the financial statements for the previous business year or any prior business year and interim financial statements for the previous interim accounting period or any prior interim accounting period; and
- (xxxvii) restatement: the reflection, in financial statements or interim financial statements, of the correction of an error in financial statements for the previous business year or any prior business year or interim financial statements for the previous interim accounting period or any prior interim accounting period.

(General Principles for Preparation of Interim Financial Statements)

- Article 3 (1) Interim financial statements must provide useful information concerning the financial position, operating results and cash flow conditions of the company submitting interim financial statements for an interim accounting period.
- (2) The accounting principles and procedures adopted for preparing financial statements in the previous business year must be applied continuously in the relevant interim accounting period, except in cases of making a change based on justifiable grounds.
- (3) The same presentation method of interim financial statements must be applied continuously, except in cases of making a change based on justifiable

grounds.

(Preparation of Comparative Information)

Article 3-2 Interim financial statements for the current interim accounting period must be prepared by including, as part of the interim financial statements, comparative information (meaning the matters set forth in the following items as those corresponding to the matters entered in the interim financial statements for the respective categories of interim financial statements listed in those items):

- (i) the interim balance sheet: matters pertaining to the previous business year;
- (ii) the interim profit and loss statement: matters pertaining to the previous interim accounting period;
- (iii) the interim statement of changes in net assets: matters pertaining to the previous interim accounting period; and
- (iv) the interim cash flow statement: matters pertaining to the previous interim accounting period.

(Material Notes on Accounting Policies)

Article 4 With regard to accounting policies, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

- (i) the valuation basis and valuation method for assets;
- (ii) the depreciation method for fixed assets;
- (iii) allowance recognition standards;
- (iv) revenue and expense recognition standards;
- (v) the basis for the translation of foreign currency denominated assets and liabilities into Japanese currency;
- (vi) the method of hedge accounting (the accounting process defined in Article 8-2, item (viii) of the Regulation on Financial Statements; the same applies in Article 5-5);
- (vii) the scope of funds in the interim cash flow statement; and
- (viii) any other material matters that serve as the basis for preparation of interim financial statements.

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

Article 5 (1) If a change in accounting policies is made in line with revision, etc. of accounting standards, etc. (meaning the revision, etc. of accounting standards, etc. (meaning the accounting standards, etc. prescribed in the main clause of Article 8-3, paragraph (1) of the Regulation on Financial Statements; the same applies hereinafter) prescribed in the main clause of that paragraph;

the same applies in the following Article) (limited to when the accounting standards, etc. do not provide for transitional measures concerning retrospective application), the following matters must be set down in the notes; provided, however, that if the same contents are to be entered in interim consolidated financial statements for the matters set forth in items (iii) to (v), entries of those matters may be omitted by making a statement to that effect:

- (i) the name of the accounting standards, etc.;
- (ii) the details of the change in accounting policies;
- (iii) the effects on major account titles of interim financial statements in the previous business year and the previous interim accounting period;
- (iv) the effects on per-share information (meaning the per-share amount of net assets, per-share amount of interim net income or amount of interim net loss, and diluted per-share amount of interim net income (meaning the diluted per-share amount of interim net income prescribed in Article 53, paragraph (1)); the same applies hereinafter) pertaining to the previous business year; and
- (v) the effects on the amount of net assets at the beginning of the previous business year.

(2) Notwithstanding the provisions of the preceding paragraph, if principle-based treatment pertaining to retrospective application (meaning the principle-based treatment pertaining to retrospective application prescribed in the main clause of Article 8-3, paragraph (2) of the Regulation on Financial Statements; the same applies hereinafter) is not possible in practice, the matters specified in the following items for the respective categories of cases set forth in those items must be set down in the notes; provided, however, that if the same contents are to be entered in interim consolidated financial statements for the matters set forth in item (i), (e) to (g) and item (ii), (e) to (g), entries of those matters may be omitted by making a statement to that effect:

- (i) when it is possible to calculate the cumulative effects resulting from retrospective application on the day of commencement of the current interim accounting period and it is not possible in practice to calculate the cumulative effects at the beginning of the previous business year: the following matters:
 - (a) the name of the accounting standards, etc.;
 - (b) the details of the change in accounting policies;
 - (c) the effects on major account titles of interim financial statements that are possible to calculate in practice;
 - (d) the effects on per-share information pertaining to the current interim accounting period that are possible to calculate in practice;
 - (e) the cumulative effects on the amount of net assets on the day of commencement of the current interim accounting period;

- (f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and
 - (g) the method of application of the change in accounting policies and the day of commencement of the application; and
- (ii) when it is not possible in practice to calculate the cumulative effects resulting from retrospective application on the day of commencement of the current interim accounting period: the following matters:
- (a) the name of the accounting standards, etc.;
 - (b) the details of the change in accounting policies;
 - (c) the effects on major account titles of interim financial statements that are possible to calculate in practice;
 - (d) the effects on per-share information that are possible to calculate in practice;
 - (e) a statement to the effect that it is not possible in practice to calculate the cumulative effects resulting from retrospective application on the day of commencement of the current interim accounting period;
 - (f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and
 - (g) the method of application of the change in accounting policies and the day of commencement of the application.
- (3) If any accounting processes have been implemented in accordance with transitional measures related to retrospective application prescribed in accounting standards, etc. and retrospective application has not been performed, the following matters must be set down in the notes; provided, however, that if the same contents are to be entered in interim consolidated financial statements for the matters set forth in items (iii) and (iv), entries of those matters may be omitted by making a statement to that effect:
- (i) the name of the accounting standards, etc.;
 - (ii) the details of the change in accounting policies;
 - (iii) a statement to the effect that accounting processes have been implemented in accordance with the transitional measures and the outline of the transitional measures;
 - (iv) if the transitional measures have the possibility of affecting the financial statements for the current business year, that fact and the effects (if the effects are unknown or are difficult to reasonably estimate, that fact);
 - (v) the effects on major account titles of interim financial statements that are possible to calculate in practice; and
 - (vi) the effects on per-share information that are possible to calculate in practice.
- (4) Notwithstanding the provisions of the preceding three paragraphs, when the matters that must be set down in the notes pursuant to these provisions are

not material, the notes may be omitted.

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

Article 5-2 (1) If a change in accounting policies is made based on justifiable grounds other than a revision, etc. of accounting standards, etc., the following matters must be set down in the notes; provided, however, that if the same contents are to be entered in interim consolidated financial statements for the matters set forth in items (iii) to (v), entries of those matters may be omitted by making a statement to that effect:

- (i) the details of the change in accounting policies;
- (ii) the justifiable grounds on which the change in accounting policies is made;
- (iii) the effects on major account titles of interim financial statements in the previous business year and the previous interim accounting period;
- (iv) the effects on per-share information pertaining to the previous business year and the previous interim accounting period; and
- (v) the cumulative effects on the amount of net assets at the beginning of the previous business year.

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

- (i) when it is possible to calculate the cumulative effects resulting from retrospective application on the day of commencement of the current interim accounting period and it is not possible in practice to calculate the cumulative effects at the beginning of the previous business year: the following matters:
 - (a) the details of the change in accounting policies;
 - (b) the justifiable grounds on which the change in accounting policies is made;
 - (c) the effects on major account titles of interim financial statements that are possible to calculate in practice;
 - (d) the effects on per-share information pertaining to the current interim accounting period that are possible to calculate in practice;
 - (e) the cumulative effects on the amount of net assets on the day of commencement of the current interim accounting period;
 - (f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and

- (g) the method of application of the change in accounting policies and the day of commencement of the application; and
- (ii) when it is not possible in practice to calculate the cumulative effects resulting from retrospective application on the day of commencement of the current interim accounting period: the following matters:
 - (a) the details of the change in accounting policies;
 - (b) the justifiable grounds on which the change in accounting policies is made;
 - (c) the effects on major account titles of interim financial statements that are possible to calculate in practice;
 - (d) the effects on per-share information that are possible to calculate in practice;
 - (e) a statement to the effect that it is not possible in practice to calculate the cumulative effects resulting from retrospective application on the day of commencement of the current accounting period;
 - (f) the reason that the principle-based treatment pertaining to retrospective application is not possible in practice; and
 - (g) the method of application of the change in accounting policies and the date of commencement of the application.
- (3) If a change in accounting policies was made in the previous business year and any difference is found between the accounting policy applied to the comparative information contained in the interim financial statements for the current interim accounting period and the accounting policy applied to the interim financial statements for the previous interim accounting period, a statement to that effect must be set down in the notes.
- (4) Notwithstanding the provisions of the preceding three paragraphs, when the matters that must be set down in the notes pursuant to these provisions are not material, the notes may be omitted.

(Notes on Changes in Presentation Methods)

- Article 5-2-2 (1) If a change in presentation method is made, the following matters must be set down in the notes:
- (i) the details of the reclassification of interim financial statements;
 - (ii) the reason that the reclassification of interim financial statements was made; and
 - (iii) the amounts pertaining to major account titles of interim financial statements in the previous business year and the previous interim accounting period.
- (2) Notwithstanding the provisions of the preceding paragraph, if Reclassification of interim financial statements is not possible in practice, the reason therefor must be set down in the notes.

- (3) Notwithstanding the provisions of the preceding two paragraphs, when the matters that must be set down in the notes pursuant to these provisions are not material, the notes may be omitted.
- (4) If the same contents are to be entered in interim consolidated financial statements for the matters set forth in paragraph (1) (excluding item (i)) and paragraph (2), entries of those matters may be omitted by making a statement to that effect.

(Notes on Changes in Accounting Estimates)

Article 5-2-3 If a change in accounting estimates is made, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

- (i) the details of the change in accounting estimates; and
- (ii) the effects of the change in accounting estimates on interim financial statements.

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

Article 5-2-4 If it is difficult to distinguish a change in accounting policies from a change in accounting estimates, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

- (i) the details of the change in accounting policies;
- (ii) the justifiable grounds on which the change in accounting policies is made; and
- (iii) the effects of the change in accounting policies on interim financial statements.

(Notes on Restatement)

Article 5-2-5 If a restatement was made, the following matters must be set down in the notes; provided, however, that notes may be omitted for immaterial matters:

- (i) the details of the error;
- (ii) the effects on major account titles of interim financial statements in the previous business year and the previous accounting period;
- (iii) the effects on per-share information pertaining to the previous business year or the current interim accounting period; and
- (iv) the cumulative effects on the amount of net assets at the beginning of the previous business year.

(Notes on Material Post-Balance Sheet Events)

Article 5-2-6 If any events that exert a material influence on the financial

position, operating results and cash flow conditions of a company submitting interim financial statements in and/or after the business year containing the interim accounting period pertaining to the relevant Interim financial statements (excluding the interim accounting period) occur after the interim balance sheet date (those events are hereinafter referred to as "material post-balance sheet events"), those events must be set down in the notes.

(Notes on Lease Transactions)

Article 5-3 The provisions of Article 8-6 of the Regulation on Financial Statements apply mutatis mutandis to lease transactions. In this case, the term "company submitting financial statements" in paragraphs (1), (3), and (4) of that Article is deemed to be replaced with "company submitting interim financial statements", the phrases "the end of the current business year" in paragraph (1), item (i), (a) and paragraph (2) of that Article are deemed to be replaced with "the end of current interim 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), (b) of that Article are deemed to be replaced with "up to the day on which five years have elapsed from the day following the interim balance sheet date" and "after the day on which five years have elapsed from the day following the interim balance sheet date" respectively, the phrase "within one year" in paragraph (2) of that Article is deemed to be replaced with "on a day that comes within one year from the day following the interim balance sheet date", the term "balance sheet" in paragraph (3) of that Article is deemed to be replaced with "interim balance sheet", and the term "consolidated financial statements" in paragraph (4) of that Article is deemed to be replaced with "interim consolidated financial statements".

(Notes on Financial Instruments)

Article 5-3-2 The provisions of Article 8-6-2, paragraphs (1) (excluding item (i)), (2) and (7) of the Regulation on Financial Statements apply mutatis mutandis to financial instruments. In this case, the phrases "balance sheet date", "of the balance sheet", and "amounts reported on the balance sheet" in paragraph (1), item (ii) of that Article are deemed to be replaced with "interim balance sheet date", "of the interim balance sheet", and "amounts reported on the interim balance sheet" respectively, and the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (7) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Notes on Securities)

Article 5-4 The provisions of Article 8-7, paragraphs (1) (excluding items (i), (v), and (vi)) and paragraph (4) of the Regulation on Financial Statements apply mutatis mutandis to securities. In this case, the terms "balance sheet" and "amount reported on the balance sheet" in paragraph (1), items (ii) to (iv) of that Article are deemed to be replaced with "interim balance sheet" and "amount reported on the interim balance sheet" respectively, and the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (4) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Notes on Derivative Transactions)

- Article 5-5 (1) In addition to the matters specified in Article 5-3-2, with regard to derivative transactions (limited to those to which hedge accounting is not applied), the contract amount as of the interim balance sheet date or the principal equivalent amount specified in the contract, the market price and gain or loss on valuation as of the interim balance sheet date, and the calculation method for the market price must be set down in the notes, for each type of the subject matter of transactions (meaning currencies, money rates, shares, bonds, commodities and any other subject matter of transactions; the same applies in the following paragraph); provided, however, that notes may be omitted for immaterial matters.
- (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 balance sheet date or the principal equivalent amount specified in the contract, the market price as of the interim balance sheet date, and the calculation method for the market price may be set down in the notes, for each type of the subject matter of transactions.
- (3) The matters specified in paragraph (1) must be entered after being categorized into the type of Transactions (meaning futures transactions, options transactions, forward transactions, swap transactions and any other derivative transactions; the same applies in the following paragraph), distinction between market transactions (meaning the market transactions defined in Article 8, paragraph (10), item (iii) of the Regulation on Financial Statements) or transactions other than market transactions, distinction between those pertaining to purchase contracts and those pertaining to sale contracts, the period from the interim balance sheet 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) must be entered after being categorized into the method of hedge accounting, the type of transactions, the

hedged items (meaning the hedged items defined in Article 8-2, item (viii) of the Regulation on Financial Statements), and other matters.

- (5) The matters specified in paragraph (1) are not required to be entered if a company submitting interim financial statements prepares interim consolidated financial statements.

(Application of Tax Effect Accounting)

Article 5-6 With regard to corporation tax and any other taxes that are imposed on amounts related to profits as the tax base (hereinafter referred to as "corporation tax, etc."), interim financial statements must be prepared by applying tax effect accounting (meaning an accounting process which, if there are differences between the amounts of assets and liabilities reported on the interim 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 corporation tax, etc. with the applicable amount of corporation tax, etc. through appropriate interperiod allocation of the amount of corporation tax, etc. pertaining to the differences; the same applies hereinafter).

(Notes on Profit or Loss under Equity Method)

Article 5-7 With regard to a company that does not prepare interim consolidated financial statements, the matters set forth in the following items for the respective categories of cases listed in those items must be set down in the notes; provided, however, that, with regard to the matters specified in item (i), any affiliated company that is not material in terms of the profit or loss and the retained earnings and any other items may be excluded:

- (i) cases where there is any affiliated company: the amount of investment in the affiliated company, the amount of investment if the equity method is applied to the investment, and the amount of investment return or investment loss; and
- (ii) cases where there is any special purpose company subject to disclosure (meaning the special purpose company subject to disclosure defined in Article 8-9, item (ii) of the Regulation on Financial Statements; hereinafter the same applies in this item): the outline of the special purpose company subject to disclosure, the outline of transactions with the special purpose company subject to disclosure, the transaction amount, and any other material matters.

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

Article 5-8 The provisions of Article 8-14 of the Regulation on Financial

Statements apply mutatis mutandis to cases where stock options or options on the company's own shares have been granted or the company's own shares have been issued. In this case, the term "business year" in paragraph (1), item (i) of that Article is deemed to be replaced with "interim accounting period", and the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (2) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Notes on Stock Options)

Article 5-9 (1) In addition to the provisions of the preceding Article, if stock options have been granted during the interim accounting period, the following matters must be set down in the notes with regard to the stock options; provided, however, that the notes may be omitted if they are found to be immaterial to the financial position, operating results and cash flow conditions of the company submitting interim financial statements:

- (i) the number of persons who qualify for grants, for each category such as officers and employees;
- (ii) the number of stock options granted for each class of shares;
- (iii) the grant date;
- (iv) vesting conditions (if there are no vesting conditions, a statement to that effect);
- (v) the requisite service period (if there is no requisite service period, a statement to that effect);
- (vi) the exercise period;
- (vii) the exercise price; and
- (viii) the fair unit value as of the grant date.

(2) The notes set forth in the preceding paragraph must be included by either of the following methods:

- (i) by including the notes individually for each contract; or
- (ii) by including the notes collectively for multiple contracts.

(3) Notwithstanding the provisions of the preceding paragraph, notes for the stock options set forth in the following items must not be included collectively for multiple contracts:

- (i) stock options for which the category of persons who qualify for grants, details of the vesting conditions, the requisite service period, and the exercise period are not regarded as being generally similar;
- (ii) stock options granted before public offering of shares, and stock options granted after public offering of shares; and
- (iii) stock options for which the method for setting the exercise price differs extremely.

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

(Notes Set Down in Cases Where Business Combination through Acquisition Has Been Implemented)

Article 5-10 The provisions of Article 8-17 of the Regulation on Financial Statements apply mutatis mutandis to the cases where a business combination has been carried out through acquisition of another enterprise or a business segment of another enterprise (excluding the cases prescribed in the paragraphs of the following Article). In this case, the term "business year" in Article 8-17, paragraphs (1) to (4) of the Regulation on Financial Statements is deemed to be replaced with "interim accounting period", the phrase "in the financial statement" in paragraph (1), item (ii) of that Article is deemed to be replaced with "in the interim financial statements", the term "consolidated financial statements" in item (xi) of that paragraph and paragraph (5) of that Article is deemed to be replaced with "interim consolidated financial statements", and the term "profit and loss statement" in that item and paragraph (3), item (i) of that Article is deemed to be replaced with "interim profit and loss statement".

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

Article 5-11 (1) The provisions of Article 8-18 of the Regulation on Financial Statements apply mutatis mutandis to the case where a business combination resulting in reverse acquisition was implemented. In this case, the terms "business year" and "balance sheet" in paragraph (1) of that Article are deemed to be replaced with "interim accounting period" and "interim balance sheet", respectively, the terms "balance sheet" and "profit and loss statement" in paragraph (2) of that Article are deemed to be replaced with "interim balance sheet" and "interim profit and loss statement", respectively, the term "company submitting financial statements" in item (i) of that paragraph is deemed to be replaced with "company submitting interim financial statements", the phrases "the amount of net income for the period before taxes or the amount of net loss for the period before taxes", "the amount of net income for the period or the amount of net loss for the period", and "the per-share amount of net income for the period or per-share amount of net loss for the period" in (b) of that item are deemed to be replaced with "the amount of interim net income before taxes or the amount of interim net loss before taxes", "the amount of interim net income or the amount of interim net loss", and "the per-share amount of interim net income or per-share amount of interim net loss", respectively, the term

"consolidated financial statements" in paragraph (3) of that Article is deemed to be replaced with "interim consolidated financial statements", the term "company submitting financial statements" in item (i) of that paragraph is deemed to be replaced with "company submitting interim financial statements", and the phrase "after the business year following the business year" and the term "consolidated financial statements" in paragraph (4) of that Article are deemed to be replaced with "after the last day of the interim accounting period" and "consolidated interim financial statements", respectively.

(2) The provisions of Article 8-19 of the Regulation on Financial Statements apply mutatis mutandis to the case where a business combination through the acquisition of another enterprise has been carried out through multiple transactions. In this case, the term "consolidated financial statements" in that Article is deemed to be replaced with "interim consolidated financial statements", the term "business year" in paragraph (1) of that Article is deemed to be replaced with "interim accounting period", the terms "balance sheet" and "profit and loss statement" in item (iii) of that paragraph are deemed to be replaced with "interim balance sheet" and "interim profit and loss statement", respectively, and the phrase "after the business year following the business year" in paragraph (2) of that Article is deemed to be replaced with "after the last day of the interim accounting period".

(Notes on Common Control Transaction)

Article 5-12 The provisions of Articles 8-20 and 8-21 of the Regulation on Financial Statements apply mutatis mutandis to a common control transaction, etc. and to cases where a subsidiary company has absorbed its parent company through an absorption-type merger. In this case, the term "business year" in Article 8-20, paragraphs (1) and (2) and Article 8-21, paragraph (1) of the Regulation on Financial Statements is deemed to be replaced with "interim accounting period", the term "consolidated financial statements" in Article 8-20, paragraph (3) and Article 8-21, paragraphs (1) and (3) of the Regulation on Financial Statements is deemed to be replaced with "interim consolidated financial statements", the term "company submitting financial statements" in Article 8-21, paragraph (1) of the Regulation on Financial Statements is deemed to be replaced with "company submitting interim financial statements", the terms "balance sheet" and "profit and loss statement" in paragraph (2), items (i) and (ii) of that Article are deemed to be replaced with "interim balance sheet" and "interim profit and loss statement" respectively, and the phrase "after the business year following the business year" in paragraph (3) of that Article is deemed to be replaced with "after the last day of the interim accounting period".

(Notes on Formation of Jointly Controlled Enterprises)

Article 5-13 The provisions of Article 8-22 of the Regulation on Financial Statements apply mutatis mutandis to a business combination forming a jointly controlled enterprise. In this case, the term "business year" in paragraphs (1) and (2) of that Article is deemed to be replaced with "interim accounting period", and the term "consolidated financial statements" in paragraph (3) of that Article is deemed to be replaced with "interim consolidated financial statements".

(Notes by Divesting Enterprise in Business Divestitures)

Article 5-14 The provisions of Article 8-23 of the Regulation on Financial Statements apply mutatis mutandis to a material business divestiture. In this case, the term "business year" in paragraphs (1) and (3) of that Article is deemed to be replaced with "interim accounting period", the term "profit and loss statement" in paragraph (1), item (iv) of that Article is deemed to be replaced with "interim profit and loss statement", and the term "consolidated financial statements" in paragraph (4) of that Article is deemed to be replaced with "interim consolidated financial statements".

(Notes by Successor Enterprise in Business Divestitures)

Article 5-15 The provisions of Article 8-24 of the Regulation on Financial Statements apply mutatis mutandis to a business divestiture that does not fall under a business combination. In this case, the term "consolidated financial statements" in paragraph (2) of that Article is deemed to be replaced with "interim consolidated financial statements".

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

Article 5-16 The provisions of Article 8-25 of the Regulation on Financial Statements apply mutatis mutandis to a material post-balance sheet event, etc. related to a business combination and a business combination wherein an agreement has been reached on major conditions by the interim balance sheet date and which has not been completed by that date. In this case, the term "balance sheet date" in paragraphs (1) and (2) of that Article is deemed to be replaced with "interim balance sheet date", and the term "consolidated financial statements" in paragraph (3) of that Article is deemed to be replaced with "interim consolidated financial statements".

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

Article 5-17 The provisions of Article 8-26 of the Regulation on Financial

Statements apply mutatis mutandis to a material post-balance sheet event, etc. related to a business divestiture and a business divestiture wherein an agreement has been reached on major conditions by the interim balance sheet date and which has not been completed by that date. In this case, the term "balance sheet date" in paragraph (1) of that Article is deemed to be replaced with "interim balance sheet date", and the term "consolidated financial statements" in paragraph (2) of that Article is deemed to be replaced with "interim consolidated financial statements".

(Notes on Going Concern Assumption)

Article 5-18 If, as of the interim balance sheet date, there is an event or circumstance that would raise material doubt about an assumption that the company will stay in business in the future (hereinafter referred to as the "going concern assumption"), and material uncertainty on the going concern assumption is still recognized even after measures for eliminating or improving that event or circumstance are taken, the following matters must be set down in the notes; provided, however, that if the material uncertainty ceases to be recognized after the interim balance sheet date, they are not required to be set down in the notes:

- (i) a statement to the effect that the relevant event or circumstance exists, and details thereof;
- (ii) the response measures for eliminating or improving the relevant event or circumstance;
- (iii) a statement to the effect that the relevant material uncertainty is recognized and the reason therefor; and
- (iv) whether or not the influence of the relevant material uncertainty is reflected in the Interim Financial Statements.

(Notes on Asset Retirement Obligations)

Article 5-19 The provisions of Article 8-28 (excluding paragraph (1), item (i), (a) and (b)) of the Regulation on Financial Statements apply mutatis mutandis to asset retirement obligations. In this case, the terms "balance sheet" and "the relevant business year" in that paragraph are deemed to be replaced with "interim balance sheet" and "the current interim accounting period" respectively and the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (2) are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Notes on Segment Information)

Article 5-20 (1) With regard to information on a certain unit of an enterprise

(hereinafter referred to as a "reporting segment") (that information is hereinafter referred to as "segment information"), the following matters must be set down in the notes in accordance with Form No. 1:

- (i) the outline of any reporting segment;
 - (ii) the amounts of the net sales, profit or loss, assets, liabilities and other items for each reporting segment and the methods of calculation of those amounts; and
 - (iii) the differences between the total amounts of the amounts of each item set forth in the preceding item and the amounts reported on the interim balance sheet or the amounts reported on the interim profit and loss statement for each account title equivalent to the item and the main contents of the differences.
- (2) With regard to information related to a reporting segment (referred to as "related information" in Form No. 2), the following matters must be set down in the notes in accordance with that form:
- (i) information for each product and service;
 - (ii) information for each region; and
 - (iii) information for each major customer.
- (3) If the following matters are reported in the interim balance sheet or the interim profit and loss statement, the outline for each reporting segment must be set down in the notes in accordance with Form No. 3:
- (i) the impairment loss on fixed assets;
 - (ii) the amortization amount of goodwill and the unamortized balance; or
 - (iii) the gain from negative goodwill.
- (4) Notwithstanding the provisions of the preceding three paragraphs, notes may be omitted for immaterial matters.
- (5) The matters set forth in the items of paragraph (1) and the items of paragraph (2) and the outline prescribed in paragraph (3) are not required to be entered if the company submitting interim financial statements prepares interim consolidated financial statements.

(Notes on Rental Real Properties)

Article 5-21 (1) The provisions of Article 8-30 (excluding paragraph (1), items (i) and (iv)) of the Regulation on Financial Statements apply mutatis mutandis to rental, etc. real properties (meaning a rental, etc. real property prescribed in paragraph (1) of that Article; the same applies in the following paragraph). In this case, the phrase "reported in the balance sheet" and the term "business year" in paragraph (1), item (ii) of that Article are deemed to be replaced with "reported in the interim balance sheet" and "interim accounting period", respectively, the term "balance sheet date" in item (iii) of that paragraph is deemed to be replaced with "interim balance sheet date", the terms "company

submitting financial statements" and "consolidated financial statements" in paragraph (2) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements", respectively.

- (2) If, from among the matters set forth in Article 8-30, paragraph (1), items (ii) and (iii) of the Regulation on Financial Statements as applied mutatis mutandis pursuant to the preceding paragraph, no substantial fluctuation is found in the amount of rental, etc. real properties reported on the interim balance sheet and the market price thereof as of the interim closing date in comparison to the last day of the previous business year, notes may be omitted for the matters listed in those items by making a statement to that effect.

(Notes on Additional Information)

Article 6 In addition to the notes particularly specified under this Regulation, if there are any matters that are found to be necessary for persons interested in a company submitting interim financial statements to make adequate judgments on the financial position, operating results and cash flow conditions of the company for the business year containing the interim accounting period pertaining to the interim financial statements, those matters must be set down in the notes.

(Noting Methods)

Article 7 (1) The notes under Article 4 must be included immediately after the interim cash flow statement.

- (2) The notes under Articles 5 to 5-2-5 must be included immediately after the notes under Article 4.

- (3) The notes under this Regulation (excluding Articles 4 to 5-2-5) must be included immediately after the notes under Articles 4 to 5-2-5, except for those that are found appropriate to be included as Footnotes (meaning the notes included at the end of the table or account statement contained in the interim financial statements in which the matters pertaining to the notes are entered; the same applies hereinafter); provided, however, that matters related to the notes under Article 4 may be entered together therewith.

- (4) Notwithstanding the provisions of the preceding paragraph, the notes under Article 5-18 must be included immediately after the interim cash flow statement. In this case, notwithstanding the provisions of paragraph (1), the notes under Article 4 must be included immediately after the notes under Article 5-18.

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

account title or by other similar methods.

(Units for Presenting Amounts)

Article 7-2 The amounts for the account titles and any other matters contained in interim financial statements are to be presented in units of million yen or thousand yen.

Chapter II Interim Balance Sheet

Section 1 General Provisions

(Methods of Entry in Interim Balance Sheet)

Article 8 (1) The methods of entry in an interim balance sheet are to be in accordance with the provisions of this Chapter.

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

(Classification of Assets, Liabilities and Net Assets)

Article 9 Assets, liabilities and net assets must be entered after respectively being classified into the assets section, liabilities section, and net assets section.

(Arrangement of Account Titles)

Article 10 The account titles of assets and liabilities are to be arranged by using the method of current arrangement.

Section 2 Assets

(Classification of Assets)

Article 11 Assets must be entered after being classified into current assets, fixed assets and deferred assets, and assets categorized as fixed assets must be entered after further being classified into tangible fixed assets, intangible fixed assets, investments, and any other assets.

(Scopes of Respective Classes of Assets)

Article 12 The provisions of Articles 15 to 16-3, 22, 27, 31 to 31-5, and 36 of the Regulation on Financial Statements apply mutatis mutandis to the scopes of current assets, tangible fixed assets, intangible fixed assets, investments and other assets, and deferred assets. In this case, the term "within one year" in Articles 15 to 16-3 of the Regulation on Financial Statements is deemed to be replaced with "on a day within one year from the day following the interim balance sheet date", and the term "company submitting financial statements"

in Article 22, item (viii) and Article 27, item (xii) of the Regulation on Financial Statements is deemed to be replaced with "company submitting interim financial statements".

(Separate Presentation of Current Assets)

Article 13 (1) Assets categorized as current assets must be set down under account titles having names that indicate those assets, in accordance with the categorization of the following items:

(i) cash and deposits;

(ii) negotiable instruments receivable;

(iii) accounts receivable;

(iv) lease receivables (limited to those that have arisen based on ordinary transactions, and excluding bankruptcy or reorganization claims, etc. (meaning the bankruptcy or reorganization claims, etc. defined in Article 8-10, paragraph (1), item (ix) of the Regulation on Financial Statements; the same applies in the following item) that are clearly not able to be called within one year);

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

(vi) securities;

(vii) inventory assets (meaning the assets set forth in Article 15, items (v) to (x) of the Regulation on Financial Statements); and

(viii) others.

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

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

(Presentation of Allowances Pertaining to Current Asset)

Article 14 The provisions of Article 20 of the Regulation on Financial Statements apply mutatis mutandis to allowances pertaining to assets categorized as current assets. In this case, the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (3) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

Article 15 Deleted.

(Separate Presentation of Tangible Fixed Assets)

Article 16 (1) Assets categorized as tangible fixed assets are to be set down collectively under an account title having a name that indicates tangible fixed assets; provided, however, that this does not preclude assets categorized as tangible fixed assets from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those assets.

(2) Notwithstanding the provisions of the preceding paragraph, if assets categorized as tangible fixed assets include any asset of which the amount exceeds five percent of the total amount of assets, those assets must be separated from other tangible fixed assets and must be set down under an account title having a name that indicates each of those assets.

(Presentation of Amounts of Accumulated Depreciation)

Article 17 The provisions of Articles 25 and 26 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated depreciation for buildings, structures, and any other tangible fixed assets. In this case, the terms "company submitting financial statements" and "consolidated financial statements" in Article 26, paragraph (2) are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Presentation of Amounts of Accumulated Impairment Loss)

Article 17-2 The provisions of Article 26-2 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated impairment loss for tangible fixed assets. In this case, the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (5) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Separate Presentation of Intangible Fixed Assets)

Article 18 (1) Assets categorized as intangible fixed assets are to be collectively set down under an account title having a name that indicates intangible fixed assets; provided, however, that this does not preclude assets categorized as intangible fixed assets from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those assets.

(2) The provisions of Article 16, paragraph (2) apply mutatis mutandis to intangible fixed assets.

Article 19 The provisions of Article 30 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated amortization and the amounts of accumulated impairment loss for intangible fixed assets.

(Separate Presentation of Investments and Other Assets)

Article 20 (1) Assets categorized as investments and other assets are to be collectively set down under an account title having a name that indicates investments and other assets; provided, however, that this does not preclude assets categorized as investments and other assets from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those assets.

(2) The provisions of Article 16, paragraph (2) apply mutatis mutandis to investments and other assets.

(Presentation of Allowances Pertaining to Investments and Other Assets)

Article 21 The provisions of Article 20 of the Regulation on Financial Statements as applied mutatis mutandis pursuant to Article 34 of that Regulation apply mutatis mutandis to allowances pertaining to assets categorized as investments and other assets. In this case, the terms "company submitting financial statements" and "consolidated financial statements" in Article 20, paragraph (3) of that Regulation are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Separate Presentation of Deferred Assets)

Article 22 (1) Assets categorized as deferred assets are to be collectively set down under an account title having a name that indicates deferred assets; provided, however, that this does not preclude assets categorized as deferred assets from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those assets.

(2) The provisions of Article 16, paragraph (2) apply mutatis mutandis to deferred assets.

Article 23 The provisions of Article 38 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated amortization for deferred assets.

(Notes on Collateral Assets)

Article 24 The provisions of Article 43 of the Regulation on Financial Statements

apply mutatis mutandis to assets that have been provided as collateral.

Article 25 Deleted.

Section 3 Liabilities

(Classification of Liabilities)

Article 26 Liabilities must be entered after being classified into current liabilities and fixed liabilities.

(Scopes of Respective Classes of Liabilities)

Article 27 The provisions of Articles 47 to 48-4 and 51 to 51-5 of the Regulation on Financial Statements apply mutatis mutandis to the scopes of current liabilities and fixed liabilities. In this case, the term "within one year" in Articles 47 and 48-2 to 48-4 of the Regulation on Financial Statements is deemed to be replaced with "on a day within one year from the day following the interim balance sheet date".

(Separate Presentation of Current Liabilities)

Article 28 (1) Liabilities categorized as current liabilities must be set down under account titles having names that indicate those liabilities, in accordance with the categorization of the following items:

- (i) negotiable instruments payable;
- (ii) accounts payable;
- (iii) short-term borrowings (including finance negotiable instruments and overdrafts); provided, however, that this excludes short-term borrowings from shareholders, officers, or employees;
- (iv) lease obligations;
- (v) accrued corporation tax, etc.;
- (vi) allowances;
- (vii) asset retirement obligations; and
- (viii) others.

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

(3) If the allowances set forth in paragraph (1), item (vi) include any allowances of which the amount exceeds one percent of the combined total of liabilities and net assets, those allowances must be separately set down under an account title having a name that indicates the purpose of establishment of those

allowances.

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

(Separate Presentation of Fixed Liabilities)

Article 29 (1) Liabilities categorized as fixed liabilities must be set down under account titles having names that indicate those liabilities, in accordance with the categorization of the following items:

- (i) corporate bonds;
 - (ii) long-term borrowings (including finance negotiable instruments); provided, however, that this excludes long-term borrowings from shareholders, officers, or employees;
 - (iii) lease obligations;
 - (iv) allowances;
 - (v) asset retirement obligations; and
 - (vi) others.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to cases referred to in the preceding paragraph.
- (3) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to the allowances referred to in paragraph (1), item (iv).
- (4) The provisions of paragraph (4) of the preceding Article apply mutatis mutandis to liabilities categorized under the item set forth in paragraph (1), item (vi).

(Notes on Specified Accounts Pertaining to Business Combination)

Article 30 The provisions of Article 56 of the Regulation on Financial Statements applies mutatis mutandis to specified accounts pertaining to a business combination that are reported under liabilities. In this case, the term "consolidated financial statements" in paragraph (2) of that Article is deemed to be replaced with "interim consolidated financial statements".

(Notes on Contingent Liabilities)

Article 31 If there are contingent liabilities (meaning guarantee of debts (including obligations that have the same effect as guarantee of debts), or obligations for compensation resulting from contentious cases and other liabilities that have not actually arisen but may be borne by the business in the future), the contents and amounts thereof must be set down in the notes; provided, however, that notes may be omitted for liabilities that are not material.

Article 31-2 Deleted.

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

Article 31-3 The provisions of Article 54-4 of the Regulation on Financial Statements apply mutatis mutandis to presentation of inventory assets and reserve for loss on construction contracts. In this case, the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (4) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

Section 4 Net Assets

(Classification of Net Assets)

Article 32 Net assets must be entered after being classified into shareholders' equity, valuation and translation adjustments, and share options.

(Classification of Shareholders' Equity)

Article 32-2 Shareholders' equity must be entered after being classified into stated capital, capital surplus, and retained earnings.

(Presentation of Stated Capital)

Article 33 The provisions of Article 61 of the Regulation on Financial Statements apply mutatis mutandis to stated capital.

(Presentation of Deposit for Subscriptions to Shares)

Article 34 The provisions of Article 62 of the Regulation on Financial Statements apply mutatis mutandis to a deposit for subscriptions to shares as after the application date.

(Separate Presentation of Capital Surplus)

Article 35 The provisions of Article 63 of the Regulation on Financial Statements apply mutatis mutandis to capital surplus.

(Separate Presentation of Retained Earnings)

Article 36 The provisions of Article 65 of the Regulation on Financial Statements apply mutatis mutandis to retained earnings.

(Presentation of Treasury Shares)

Article 36-2 The provisions of Article 66 of the Regulation on Financial Statements apply mutatis mutandis to treasury shares.

(Presentation of Deposit for Subscriptions to Treasury Shares)

Article 36-2-2 The provisions of Article 66-2 of the Regulation on Financial Statements apply mutatis mutandis to a deposit for subscriptions to treasury shares.

(Classification and Separate Presentation of Valuation and Translation Adjustments)

Article 36-2-3 The provisions of Article 67 of the Regulation on Financial Statements apply mutatis mutandis to valuation and translation adjustments.

(Presentation of Share Options)

Article 36-2-4 The provisions of Article 68 of the Regulation on Financial Statements apply mutatis mutandis to share options.

(Notes on Per-Share Amount of Net Assets)

Article 36-3 (1) The per-share amount of net assets must be set down in the notes; provided, however, that this does not apply if a company submitting interim financial statements prepares interim consolidated financial statements.

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

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

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

Section 5 Miscellaneous Provisions

(Reserves under Special Law)

Article 37 (1) Reserves or allowances that must be reported under the name of reserves or allowances pursuant to the provisions of laws and regulations and that are inappropriate to be reported in the assets section or the liabilities section (hereinafter referred to as "reserves, etc.") must be entered under a separate category that has been added immediately after fixed liabilities, notwithstanding the provisions of Articles 10 and 26.

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

(Entry of Assets and Liabilities of Listed Business)

Article 38 (1) If a stock company or designated corporation engaged in a business set forth in the appended list of the Regulation on Financial Statements (hereinafter referred to as a "listed business") prepares an interim balance sheet, and it is found inappropriate to enter its assets and liabilities pursuant to this Regulation, the stock company or designated corporation engaged in a listed business may enter its assets and liabilities in an equivalent manner as under the provisions of a Law, Regulations, or Rules (meaning the law, regulations, or Rules prescribed in Article 2 of the Regulation on Financial Statements; the same applies hereinafter) applicable to its financial statements.

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

(Entry of Net Assets of Designated Corporations)

Article 38-2 If a designated corporation prepares an interim balance sheet, and it is found inappropriate to enter its net assets pursuant to this Regulation, the designated corporation may enter its net assets in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to its financial statements. In this case, the governing Law, Regulations, or Rules must be set down in the notes.

(Entry of Assets and Liabilities Concerning Specified Trust Property)

Article 38-3 In the case of preparing an interim balance sheet concerning trust property that is subject to application of the Regulation on Calculation of Specific Purpose Trust Property (Prime Minister's Office Order No. 132 of 2000; hereinafter referred to as the "specific purpose trust property calculation regulation" in this Article and Article 57-2, paragraph (1)) or the Regulation on Calculation of Investment Trust Property (Prime Minister's Office Order No. 133 of 2000; hereinafter referred to as the "investment trust property calculation regulation" in this Article and Article 57-2, paragraph (1)) (that trust property is referred to as the "specified trust property" in Article 57-2), if

it is found inappropriate to enter assets and liabilities concerning the Specific Trust Property pursuant to this Regulation, those assets and liabilities may be entered in an equivalent manner as under the provisions of the specific purpose trust property calculation regulation or the investment trust property calculation regulation.

Chapter III Interim Profit and Loss Statement

Section 1 General Provisions

(Methods of Entry in Interim Profit and Loss Statement)

Article 39 (1) The methods of entry in interim profit and loss statement are to be in accordance with the provisions of this Chapter.

(2) Entries in an interim profit and loss statement are to be made in accordance with Form No. 5.

(Classification of Revenues and Expenses)

Article 40 Revenues and expenses must be entered after being classified into account titles having names that indicate the following items:

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

Section 2 Net Sales and Cost of Sales

(Presentation Methods for Net Sales)

Article 41 Net sales must be set down under an account title having a name that indicates net sales.

(Presentation Methods for Cost of Sales)

Article 42 The cost of sales must be set down under an account title having a name that indicates the cost of sales.

(Presentation of Gross Profit or Loss on Sales)

Article 43 The amount of difference between net sales and the cost of sales must be entered as the gross profit on sales or the gross loss on sales.

Section 3 Selling Expenses and General and Administrative Expenses

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

Article 44 Expenses categorized as selling expenses and general and administrative expenses are to be set down collectively under an account title having a name that indicates selling expenses and general and administrative expenses; provided, however, that this does not preclude expenses categorized as selling expenses and general and administrative expenses from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those expenses.

(Presentation of Amount of Operating Profit and Loss)

Article 45 The amount obtained by adjusting the gross profit on sales or the gross loss on sales by adding or subtracting the total amount of selling expenses and general and administrative expenses must be entered as the amount of operating income or the amount of operating loss.

Section 4 Non-Operating Revenues and Non-Operating Expenses

(Presentation Methods for Non-Operating Revenues)

Article 46 (1) Revenues categorized as non-operating revenues are to be collectively set down under an account title having a name that indicates non-operating revenues; provided, however, that this does not preclude revenues categorized as non-operating revenues from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those revenues.

(2) With regard to any revenues categorized as non-operating revenues that are material, the contents thereof must be set down in the notes; provided, however, that this does not apply if those revenues are set down after being categorized under an account title having a name that indicates the contents thereof.

(Presentation Methods for Non-Operating Expenses)

Article 47 (1) Expenses categorized as non-operating expenses are to be collectively set down under an account title having a name that indicates non-operating expenses; provided, however, that this does not preclude expenses categorized as non-operating expenses from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those expenses.

(2) With regard to any expenses categorized as non-operating expenses that are

material, the contents thereof must be set down in the notes; provided, however, that this does not apply if those expenses are set down after being categorized under an account title having a name that indicates the contents thereof.

(Presentation of Amount of Ordinary Income and Loss)

Article 48 The amount obtained by adjusting the amount of operating income or the amount of operating loss by adding or subtracting the total amount of non-operating revenues or the total amount of non-operating expenses must be entered as the amount of ordinary income or the amount of ordinary loss.

Section 5 Extraordinary Profit and Extraordinary Loss

(Presentation Methods for Extraordinary Profit)

Article 49 (1) Profits categorized as extraordinary profit are to be collectively set down under an account title having a name that indicates extraordinary profit; provided, however, that this does not preclude profits categorized as extraordinary profit from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those profits.

(2) With regard to any profits categorized as extraordinary profit that are material, the contents thereof must be set down in the notes; provided, however, that this does not apply if those profits are set down after being categorized under an account title having a name that indicates the contents thereof.

(Presentation Methods for Extraordinary Loss)

Article 50 (1) Losses categorized as extraordinary loss are to be collectively set down under an account title having a name that indicates extraordinary loss; provided, however, that this does not preclude losses categorized as extraordinary loss from being classified into an item that is found to be appropriate, and from being set down under an account title with a name that indicates those losses.

(2) With regard to any losses categorized as extraordinary loss that are material, the contents thereof must be set down in the notes; provided, however, that this does not apply if those losses are set down after being categorized under an account title having a name that indicates the contents thereof.

(Notes on Impairment Loss)

Article 50-2 The provisions of Article 95-3-2 of the Regulation on Financial Statements apply mutatis mutandis to assets or asset groups (meaning the

asset groups defined in that Article) for which impairment loss has been recognized. In this case, the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (2) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

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

Article 50-3 The provisions of Article 95-3-3 of the Regulation on Financial Statements apply mutatis mutandis pursuant to gain on reversal of specified accounts pertaining to business combination. In this case, the term "consolidated financial statements" in paragraph (2) of that Article is deemed to be replaced with "interim consolidated financial statements".

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

Article 51 The amount obtained by adjusting the amount of ordinary income or the amount of ordinary loss by adding or subtracting the total amount of extraordinary profit or the total amount of extraordinary loss must be presented as the amount of interim net income before taxes or the amount of interim net loss before taxes.

Section 6 Interim Net Income or Interim Net Loss

(Amount of Interim Net Income or Amount of Interim Net Loss)

Article 52 (1) The amounts of the items set forth in the following items must be entered under account titles having names that indicate the contents thereof, immediately after the amount of interim net income before taxes or the amount of interim net loss before taxes:

- (i) the corporation tax, inhabitants tax, and enterprise tax (meaning the enterprise tax imposed on amounts related to profits as the tax base; the same applies in the following item) pertaining to the current interim accounting period; and
 - (ii) the corporation tax, etc. adjustments (meaning adjustments on the corporation tax, inhabitants tax, and enterprise tax set forth in the preceding item, which are reported through application of tax effect accounting).
- (2) The items set forth in the items of the preceding paragraph may be entered collectively; provided, however, that a statement to that effect must be set down in the notes in that case.
- (3) The amount obtained by adjusting the amount of interim net income before taxes or the amount of interim net loss before taxes by adding or subtracting the amounts of the items set forth in the respective items of paragraph (1)

must be entered as the amount of interim net income or the amount of interim net loss.

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

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

Article 52-2 (1) The per-share amount of interim net income or per-share amount of interim net loss, and the basis for calculation thereof must be set down in the notes.

- (2) If any consolidation of shares or share split has been carried out during the current interim accounting period or after the interim balance sheet date, the following matters must be set down in the notes in addition to the matters prescribed in the preceding paragraph:
- (i) the fact that a consolidation of shares or a share split has been carried out; and
 - (ii) the fact that the per-share amount of interim net income or interim net loss is calculated by assuming that the consolidation of shares or share split has been carried out at the beginning of the previous business year.
- (3) The matters specified in the preceding two paragraphs are not required to be entered if a company submitting interim financial statements prepares interim consolidated financial statements.

(Notes on Diluted Per-Share Amount of Interim Net Income)

Article 53 (1) The diluted per-share amount of interim net income (meaning the per-share amount of interim net income that has been calculated by assuming exercise of rights pertaining to securities or contracts with attached rights to acquire common shares or rights to request conversion into common shares, and other rights equivalent thereto (hereinafter referred to as "potential shares"); hereinafter the same applies in this Article) and the basis for its calculation must be entered immediately after the notes under the preceding Article.

- (2) If any consolidation of shares or share split has been carried out during the current interim accounting period or after the interim balance sheet date, the following matters must be set down in the notes in addition to the matters prescribed in the preceding paragraph:
- (i) the fact that a consolidation of shares or a share split has been carried out; and

- (ii) the fact that the diluted per-share amount of interim net income is calculated by assuming that the consolidation of shares or share split has been carried out at the beginning of the previous business year.
- (3) Notwithstanding the preceding two paragraphs, when no potential shares exist, when the diluted per-share amount of interim net income is not less than the per-share amount of interim net income, and when the amount constitutes the per-share amount of interim net loss, a statement to that effect must be made, and the diluted per-share amount of interim net income is not required to be entered.
- (4) The matters specified in the preceding three paragraphs are not required to be entered if a company submitting interim financial statements prepares interim consolidated financial statements.

Section 7 Miscellaneous Provisions

(Provision or Reversal of Reserves under Special Laws)

Article 54 If there has been a provision or reversal of a reserve, etc., the amount of the provision or reversal must be set down as an extraordinary loss or extraordinary profit under an account title having a name that indicates that the amount results from the provision or reversal.

(Notes Set Down in Cases Where There Are Substantial Seasonal Fluctuations in Net Sales or Operating Expenses)

Article 55 In there are substantial seasonal fluctuations in net sale 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 situation of the fluctuations must be set down in the notes.

(Notes on Amount of Depreciation/Amortization)

Article 56 The amount of depreciation/amortization of tangible fixed assets and intangible fixed assets pertaining to the relevant interim accounting period must be set down in the notes after being categorized into that of tangible fixed assets and that of intangible fixed assets.

(Entry of Revenues and Expenses Concerning Listed Business)

Article 57 (1) If a stock company or designated corporation engaged in a listed business prepares an interim profit and loss statement, and it is found inappropriate to enter its revenues and expenses pursuant to this Regulation, the stock company or designated corporation engaged in a listed business may enter its revenues and expenses in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to its Financial

Statements.

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

(Entry of Revenues and Expenses Concerning Specified Trust Property)

- Article 57-2 (1) In the case of preparing an interim profit and loss statement concerning specified trust property, if it is found inappropriate to enter revenues and expenses concerning the specific trust property pursuant to this Regulation, the revenues and expenses may be entered in an equivalent manner as under the provisions of the specific purpose trust property calculation regulation or the investment trust property calculation regulation.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the case of preparing an interim profit and loss statement concerning specified trust property.

Chapter IV Interim Statement of Changes in Net Assets

Section 1 General Provisions

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

- Article 58 (1) The methods of entry in an interim statement of changes in net assets are to be in accordance with the provisions of this Chapter.
- (2) Entries in an interim statement of changes in net assets are to be made in accordance with Form No. 6.

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

- Article 59 (1) An interim statement of changes in net assets must be entered by classification under shareholders' equity, valuation and translation adjustments, and share options.
- (2) An interim statement of changes in net assets must be categorized into appropriate items, and must be set down under account title having names that indicate those items. Those items and account titles must be consistent with the items and account titles in the net asset section of the balance sheet at the end of the previous business year and the interim balance sheet at the end of the current interim accounting period.

Section 2 Shareholders' Equity

- Article 60 (1) Shareholders' equity must be entered after being categorized into the balance at the beginning of the current business year, the amount of changes during the current interim accounting period, and the balance at the

end of the current interim accounting period.

- (2) The amount of changes during the current interim accounting period for the account titles entered under shareholders' equity must be entered for each cause of the changes.
- (3) Dividends of surplus must be presented as a cause of changes in other capital surpluses or other retained earnings.
- (4) The amount of interim net income or the amount of interim net loss must be presented as a cause of changes in other retained earnings.

Article 61 The provisions of Article 102 of the Regulation on Financial Statements apply mutatis mutandis to other retained earnings. In this case, the terms "Article 100, paragraph (2)", "the amount of changes during the current business year" and "the end of the current business year" in that Article are deemed to be replaced with "Article 59, paragraph (2)", "the amount of changes during the current interim accounting period" and "the end of the current interim accounting period" respectively.

Section 3 Valuation and Translation Adjustments

Article 62 (1) Valuation and translation adjustments must be entered after being categorized into the balance at the beginning of the current business year, the amount of changes during the current interim accounting period, and the balance at the end of the current interim accounting period.

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

Article 63 The provisions of Article 104 of the Regulation on Financial Statements apply mutatis mutandis to valuation and translation adjustments. In this case, the terms "Article 100, paragraph (2)", "the amount of changes during the current business year" and "the end of the current business year" in that Article are to be deemed to be replaced with "Article 59, paragraph (2)", "the amount of changes during the current interim accounting period" and "the end of the current interim accounting period" respectively.

Section 4 Share Options

Article 64 (1) Share options must be entered after being categorized into the balance at the beginning of the current business year, the amount of changes

during the current interim accounting period, and the balance at the end of the current interim accounting period.

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

Section 5 Matters to Be Set Down in Notes

(Notes on Issued Shares)

Article 65 The provisions of Article 106 of the Regulation on Financial Statements apply mutatis mutandis to issued shares. In this case, the terms "the end of the current business year" and "during the current business year" in paragraph (1), item (i) of that Article are deemed to be replaced with "the end of the current interim accounting period" and "during the current interim accounting period" respectively, and the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (2) of that Article are deemed to be replaced with "company submitting interim financial statement" and "interim consolidated financial statements".

(Notes on Treasury Shares)

Article 66 The provisions of Article 107 of the Regulation on Financial Statements apply mutatis mutandis to treasury shares. In this case, the terms "the end of the current business year" and "during the current business year" in paragraph (1), item (i) of that Article are deemed to be replaced with "the end of the current interim accounting period" and "during the current interim accounting period" respectively, and the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (2) of that Article are deemed to be replaced with "company submitting interim financial statement" and "interim consolidated financial statements" respectively.

(Notes on Share Options)

Article 67 The provisions of Article 108 of the Regulation on Financial Statements apply mutatis mutandis to share options and own share options. In this case, the term "the end of the business year" in paragraph (1), item (iii) of that Article is deemed to be replaced with "the end of the interim accounting period", the terms "the end of the current business year" and "during the current business year" in paragraph (3) of that Article are deemed to be replaced with "the end of the current interim accounting period" and "during the current interim accounting period" respectively, and the terms "company submitting financial statements" and "consolidated financial statements" in

paragraph (5) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

(Notes on Dividends)

Article 68 The provisions of Article 109 of the Regulation on Financial Statements apply mutatis mutandis to dividends. In this case, the terms "the current business year" and "contained in the following business year" in paragraph (1), item (iii) of that Article are deemed to be replaced with "the current interim accounting period" and "after the last day of the current interim accounting period" respectively, and the terms "company submitting financial statements" and "consolidated financial statements" in paragraph (2) of that Article are deemed to be replaced with "company submitting interim financial statements" and "interim consolidated financial statements" respectively.

Section 6 Miscellaneous Provisions

Article 68-2 If a designated corporation prepares an interim statement of changes in net assets, and it is found inappropriate to enter matters pursuant to this Regulation, the designated corporation may enter matters in an equivalent manner as under the provisions of a Law, Regulations, or Rules applicable to its financial statements.

Chapter V Interim Cash Flow Statement

Section 1 General Provisions

(Methods of Entry in Interim Cash Flow Statement)

Article 69 (1) The methods of entry in an interim cash flow statement are to be in accordance with the provisions of this Chapter.

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

(Companies Subject to Preparation of Interim Cash Flow Statement)

Article 70 An interim cash flow statement is to be prepared by a company that does not prepare interim consolidated financial statements.

(Categorization for Presenting Interim Cash Flow Statement)

Article 71 In an interim cash flow statement, cash flow conditions must be entered for the category set forth in the following items:

(i) cash flows from operating activities;

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

Section 2 Methods of Entry in Interim Cash Flow Statement

(Presentation Methods for Cash Flows from Operating Activities)

Article 72 The provisions of Articles 113 to 118 of the Regulation on Financial Statements apply mutatis mutandis to the methods of entry in an interim cash flow statement. In this case, the phrase "the amount of net income for the period before taxes or the amount of net loss for the period before taxes" in Article 113, item (ii) of the Regulation on Financial Statements is deemed to be replaced with "the amount of interim net income before taxes or the amount of interim net loss before taxes", and the term "profit and loss statement" in (a) and (c) of that item is deemed to be replaced with "interim profit and loss statement".

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

Article 73 In an interim cash flow statement, 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 balance sheet must be set down in the notes.

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

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

Article 74 (1) The terminology, forms, and preparation methods of interim financial statements that a specified company complying with designated international accounting standards submits are subject to the provisions of the preceding Chapters.

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

(Notes on Special Provisions for Accounting Standards)

Article 75 The following matters must be set down in the notes to interim financial statements prepared in accordance with Designated International Accounting Standards:

- (i) if Designated International Accounting Standards is identical with International Accounting Standards (meaning International Accounting Standards defined in Article 93 of the Regulation on Consolidated Financial Statements; the same applies in this item and the following item), a statement to the effect that interim financial statements are prepared in accordance with Designated International Accounting Standards;
- (ii) if Designated International Accounting Standards is different from International Accounting Standards, a statement to the effect that interim financial statements are prepared in accordance with Designated International Accounting Standards; and
- (iii) a statement to the effect that the company falls under a specified company complying with designated international accounting standards and the reason therefor.

Chapter VII Interim Financial Documents of Foreign Companies

(Standards for Preparation of Interim Financial Documents of Foreign Companies)

Article 76 (1) If the Commissioner of the Financial Services Agency approves a foreign company to submit the documents on financial calculation disclosed in its home country (including the state or any other region where the company is headquartered; the same applies hereinafter) as interim financial documents, on finding no risk of impairing the public interest or protection of investors, the terminology, forms, and preparation methods of the interim financial documents are to be, except for matters that were found necessary and instructed by the Commissioner of the Financial Services Agency, the terminology, forms, and preparation methods used in the home country.

(2) If the documents on financial calculation disclosed in the home country by a foreign company do not qualify as those approved by the Commissioner of the Financial Services Agency based on the provisions of the preceding paragraph, and the Commissioner of the Financial Services Agency approves the foreign company to submit the documents on financial calculation disclosed in an area outside Japan other than its home country as interim financial documents, on finding no risk of impairing the public interest or protection of investors, the terminology, forms, and preparation methods of the interim financial documents are to be, except for matters that were found necessary and instructed by the Commissioner of the Financial Services Agency, the terminology, forms, and preparation methods used in that area outside Japan

other than its home country.

- (3) If the documents on financial calculation disclosed in the home country or any other area outside Japan by a foreign company do not qualify as those approved by the Commissioner of the Financial Services Agency based on the provisions of the preceding two paragraphs, the terminology, forms, and preparation methods of interim financial documents to be submitted by the foreign company are to be in accordance with the instructions of the Commissioner of the Financial Services Agency.
- (4) Notwithstanding the provisions of the preceding three paragraphs, the terminology, forms, and preparation methods of interim financial documents which a foreign company issuing regulated securities (meaning the regulated securities defined in Article 5, paragraph (1) of the Act) submits with regard to the regulated securities are to be in accordance with the instructions of the Commissioner of the Financial Services Agency; provided, however, that, if the Commissioner of the Financial Services Agency approves the foreign company to submit the documents on financial calculation prepared in its home country as interim financial documents, on finding no risk of impairing the public interest or protection of investors, the terminology, forms, and preparation methods of the interim financial documents are to be, except for matters that were found necessary and instructed by the Commissioner of the Financial Services Agency, the terminology, forms, and preparation methods used in the home country.

(Notes on Accounting Standards)

Article 77 If any accounting principles and procedures for preparing interim financial documents adopted by the foreign company with regard to the interim financial documents under paragraphs (1) to (3) of the preceding Article differ from accounting principles and procedures for preparing interim financial documents in Japan, the contents thereof must be set down in the notes in the interim financial documents.

(Presentation Methods)

- Article 78 (1) The provisions of Article 3, paragraph (3), and Article 5, paragraph (1), item (ii) apply mutatis mutandis to interim financial documents to be submitted by a foreign company.
- (2) If any presentation methods for the interim financial documents to be submitted by a foreign company differ from presentation methods in Japan, the contents thereof must be set down in the notes in the interim financial documents.

(Presentation of Monetary Amounts)

Article 79 If the account titles and any other matters set down in interim financial documents to be submitted by a foreign company are presented in monetary amounts in a currency other than Japanese currency, the amounts for major matters are also to be entered in amounts that have been translated into Japanese currency. In this case, the translation standards adopted for the translation into Japanese currency must be set down in the notes in the interim financial documents.

(Noting Method)

Article 80 (1) The notes to be included pursuant to the provisions of Article 77 through the preceding Article must be included as footnotes; provided, however, that notes that are found inappropriate to be included as footnotes may be included in other appropriate places.

(2) The provisions of Article 7, paragraph (5) apply *mutatis mutandis* to the case of setting down matters in the notes pursuant to the provisions of Articles 77 and 78.