

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 hereby established as follows.

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Chapter II Interim Balance Sheets

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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 Through 80)
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Chapter I General Provisions

(General Principles for Application of this Regulation)

- 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") (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 particulars that are not provided for under this Regulation are to follow 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 of this Regulation)

Article 1-2 The terminology, forms, and preparation methods of interim financial statements submitted by a stock company satisfying all of the following requirements (hereinafter referred to as a "specified company complying with designated international accounting standards") from among the issuers (meaning the issuers prescribed in Article 2, paragraph (5) of the Act) of the securities set forth in paragraph (1), item (v) or (ix) of that Article may, only when it does not prepares interim consolidated financial statements, be governed by the provisions of Chapter VIII:

(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 of the current interim accounting period (hereinafter referred to as the "previous business year") are presented) 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 presented), it gives a statement that it makes special efforts to ensure the appropriateness of financial statements; and

(b) that in the securities registration statements to be submitted under the provisions of Article 5, paragraph (1) of the Act or in semiannual securities reports that to be submitted under the provisions of Article 24-5, paragraph (1) of the Act, it gives a statement that it makes special efforts to ensure the appropriateness of interim financial statements; and

(ii) that it has officers or employees who have sufficient knowledge of any 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 specified 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 in the respective items:

- (i) company submitting interim financial statements: a company, designated corporation or partnership that is required to submit interim financial statements pursuant to the provisions of the Act;
- (ii) financial statements: the financial statements specified 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 specified in the following item;
- (v) funds: the sum total of cash (including any current deposits, ordinary deposits, and other deposits which the depositor is able to withdraw before a certain period elapses; the same applies in Articles 71 and 73) and cash equivalents (meaning short-term investments which can be easily converted into cash, with low risk of value fluctuations; the same applies in Articles 71 and 73);
- (vi) derivative transactions: the transactions specified in Article 8, paragraph (14) of the Regulation on Financial Statements;
- (vii) trading securities: the securities specified in Article 8, paragraph (20) of the Regulation on Financial Statements;
- (viii) bonds held to maturity: the bonds specified in Article 8, paragraph (21) of the Regulation on Financial Statements;
- (ix) other securities: the securities specified 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) shares in the company: shares in a company submitting interim financial statements;
- (xii) share options in the company: the share options in the company specified in Article 8, paragraph (25) of the Regulation on Financial Statements;

- (xiii) stock options: the stock options specified in Article 8, paragraph (26) of the Regulation on Financial Statements;
- (xiv) business combination: the business combination specified in Article 8, paragraph (27) of the Regulation on Financial Statements;
- (xv) acquiring enterprise: the enterprise specified in Article 8, paragraph (28) of the Regulation on Financial Statements;
- (xvi) acquired enterprise: the enterprise specified in Article 8, paragraph (29) of the Regulation on Financial Statements;
- (xvii) combiner: the enterprise specified in Article 8, paragraph (31) of the Regulation on Financial Statements;
- (xviii) combinee: the enterprise specified in Article 8, paragraph (32) of the Regulation on Financial Statements;
- (xix) combined enterprise: the enterprise specified in Article 8, paragraph (33) of the Regulation on Financial Statements;
- (xx) constituent enterprises: the enterprises specified in Article 8, paragraph (34) of the Regulation on Financial Statements;
- (xxi) reverse acquisition: the reverse acquisition specified in Article 8, paragraph (36) of the Regulation on Financial Statements;
- (xxii) common control transaction, etc.: the common control transaction, etc. specified in Article 8, paragraph (37) of the Regulation on Financial Statements;
- (xxiii) business divestiture: the business divestiture specified in Article 8, paragraph (38) of the Regulation on Financial Statements;
- (xxiv) divesting enterprise: the enterprise specified in Article 8, paragraph (39) of the Regulation on Financial Statements;
- (xxv) successor enterprise: the enterprise specified in Article 8, paragraph (40) of the Regulation on Financial Statements;
- (xxvi) financial instruments: the financial instruments specified in Article 8, paragraph (41) of the Regulation on Financial Statements;
- (xxvii) asset retirement obligations: the asset retirement obligations specified 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 when the interim financial statements were prepared if those amounts are uncertain;
- (xxxi) change in accounting policies: an accounting policy generally that is accepted as fair and appropriate is changed to another accounting policy that

- is generally accepted as fair and appropriate;
- (xxxii) change in presentation method: a presentation method that is generally accepted as fair and appropriate is changed to another presentation method that is generally accepted as fair and appropriate;
- (xxxiii) changes 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 caused by not using, or misusing the information when preparing the interim financial statements or when preparing the financial statements, regardless of whether or not it was done with intent to cause the error;
- (xxxv) retrospective application: the implementation of accounting processes by assuming that new accounting policies are retroactively applied to financial statements for the previous business year or any prior business year and interim financial statements for the previous interim accounting period or any prior interim accounting period;
- (xxxvi) reclassification of interim financial statements: the presentation of financial statement is changed 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 errors in financial statements or interim 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, are rectified in the financial statements.

(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 situation of the company submitting interim financial statements for an interim accounting period.
- (2) The accounting principles and procedures used for preparing financial statements in the previous business year must be applied continuously in the relevant interim accounting period, except when those will be changed based on justifiable grounds.
- (3) The same presentation method of interim financial statements must be applied continuously, except when those will be changed 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 components of the interim financial statements, comparative information (meaning the particulars set forth in the following items as those corresponding to the particulars included in the interim financial statements for the respective categories of interim financial statements listed in those items):

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

(Material Notes Concerning Accounting Policies)

Article 4 With regard to accounting policies, the particulars that serve as the basis for preparation of interim financial statements and contribute to the understanding of investors and other users of interim financial statements must be set down in the notes; provided, however, that notes may be omitted for particulars that are not material.

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

Article 5 (1) If a change is made in accounting policies according to the 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 thereof), the following particulars must be set down in the notes; provided, however, that if the same contents are to be included in interim consolidated financial statements for the particulars set forth in items (iii) to (v), those particulars 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 earnings per share of net assets, earnings per share of interim net income or amount of interim net loss, and diluted earnings per share of interim net income (meaning the diluted earnings per share 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 the retrospective application (meaning the principle-based treatment pertaining to the 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 practically authorized, the particulars 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 included in interim consolidated financial statements for the particulars set forth in item (i), (e) to (g) and item (ii), (e) to (g), those particulars may be omitted by making a statement to that effect:
- (i) when the cumulative effects resulting from the retrospective application on the day of commencement of the current interim accounting period may be calculated and the cumulative effects at the beginning of the previous business year may not be practically calculated: the following particulars:
 - (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 may be practically calculated;
 - (d) the effects on per-share information pertaining to the current interim accounting period that may be practically calculated;
 - (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 the retrospective application is practically not authorized; and
 - (g) the method to apply the change in accounting policies and the application start date; and
 - (ii) if the cumulative effects resulting from the retrospective application on the start date of the current interim accounting period may practically not be calculated: the following particulars:
 - (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

- may be practically calculated;
 - (d) the effects on per-share information that may be practically calculated;
 - (e) a statement that the cumulative effects resulting from the retrospective application on the start date of the current interim accounting period may not be practically calculated;
 - (f) the reason that the principle-based treatment pertaining to the retrospective application is practically not authorized; and
 - (g) the method to apply the change in accounting policies and the application start date.
- (3) If any accounting processes have been implemented in accordance with transitional measures related to the retrospective application prescribed in accounting standards, etc. and the retrospective application has not been performed, the following particulars must be set down in the notes; provided, however, that if the same contents are to be included in interim consolidated financial statements for the particulars set forth in items (iii) and (iv), those particulars 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 that accounting processes have been implemented in accordance with the transitional measures and the outline of the transitional measures;
 - (iv) if the transitional measures may possibly affect the financial statements for the current business year, a statement to that effect and the effects (if the effects are unknown or are difficult to reasonably estimate them, a statement to that effect);
 - (v) the effects on major account titles of interim financial statements that may be practically calculated; and
 - (vi) the effects on per-share information that may be practically calculated.
- (4) Notwithstanding the provisions of the preceding three paragraphs, when the particulars that must be set down in the notes pursuant to these provisions are not material, the notes may be omitted.

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

- Article 5-2 (1) If a change is made in accounting policies based on justifiable grounds other than a revision, etc. of accounting standards, etc., the following particulars must be set down in the notes; provided, however, that if the same contents are to be included in interim consolidated financial statements for the particulars set forth in items (iii) to (v), those particulars 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 is made 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 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 practically authorized, the particulars 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 included in interim consolidated financial statements for the particulars set forth in item (i), (e) through (g) and item (ii), (e) through (g), those particulars may be omitted by making a statement to that effect:
- (i) when the cumulative effects resulting from the retrospective application on the start date of the current interim accounting period may be practically calculated and the cumulative effects at the beginning of the previous business year may not be practically calculated: the following particulars:
 - (a) the details of the change in accounting policies;
 - (b) the justifiable grounds on which the change is made in accounting policies;
 - (c) the effects on major account titles of interim financial statements that may be practically calculated;
 - (d) the effects on per-share information pertaining to the current interim accounting period that may be practically calculated;
 - (e) the cumulative effects on the amount of net assets on the start date of the current interim accounting period;
 - (f) the reason that the principle-based treatment pertaining to retrospective application is not practically authorized; and
 - (g) the method to apply the change in accounting policies and the application start date; and
 - (ii) when the cumulative effects resulting from the retrospective application on the start date of the current interim accounting period may not be practically calculated: the following particulars:
 - (a) the details of the change in accounting policies;
 - (b) the justifiable grounds on which the change is made in accounting policies;
 - (c) the effects on major account titles of interim financial statements that may be practically calculated;
 - (d) the effects on per-share information that may be practically calculated;

- (e) a statement that the cumulative effects resulting from the retrospective application on the start date of the current accounting period may not be practically calculated;
 - (f) the reason that the principle-based treatment pertaining to retrospective application is not practically authorized; and
 - (g) the method to apply the change in accounting policies and the application start date.
- (3) If a change was made in accounting policies in the previous business year and any difference is found between the accounting policy applied to the comparative information included 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, if the particulars that are required to be set down in the notes pursuant to these provisions are not material, the notes may be omitted.

(Notes Concerning Changes in Presentation Methods)

Article 5-2-2 (1) If a change is made in presentation method, the following particulars must be set down in the notes:

- (i) the details of the reclassification of interim financial statements;
 - (ii) the reason that the interim financial statements were reclassified; 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 the interim financial statements may not be practically reclassified, the reason therefor must be set down in the notes.
- (3) Notwithstanding the provisions of the preceding two paragraphs, if the particulars that are required to 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 included in interim consolidated financial statements for the particulars set forth in paragraph (1) (excluding item (i)) and paragraph (2), those particulars may be omitted by making a statement to that effect.

(Notes Concerning Changes in Accounting Estimates)

Article 5-2-3 If any change is made in accounting estimates, the following particulars must be set down in the notes; provided, however, that notes may be omitted for particulars that are not material:

- (i) the details of the changes in accounting estimates; and

(ii) the effects of the changes 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 particulars must be set down in the notes; provided, however, that notes may be omitted for particulars that are not material:

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

(Notes Concerning Restatement of Financial Statement)

Article 5-2-5 If the financial statements are restated, the following particulars must be set down in the notes; provided, however, that notes may be omitted for particulars that are not material:

- (i) the details of the errors;
- (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 Concerning 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 situation of a company submitting interim financial statements in and after the business year with respect to the interim accounting period pertaining to the relevant interim financial statements (excluding the interim accounting period) occur after the interim balance sheet date (hereinafter referred to as "material post-balance sheet events"), those events must be set down in the notes.

(Notes Concerning 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 Concerning 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 terms "balance sheet date", "of the balance sheet", and "amounts recorded 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 recorded on the interim balance sheet", respectively, the terms "balance sheet" and "balance sheet date" in item (iii) of that paragraph are deemed to be replaced with "interim balance sheet" and "interim balance sheet date", respectively, the term "amounts recorded on the balance sheet" in paragraph (2) of that Article is deemed to be replaced with "amounts recorded on the interim balance sheet", 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 Concerning 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 recorded on the balance sheet" in paragraph (1), items (ii) through (iv) of that Article are deemed to be replaced with "interim balance sheet" and "amount recorded 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 Concerning Derivative Transactions)

- Article 5-5 (1) In addition to the particulars prescribed in Article 5-3-2, with regard to derivative transactions (limited to those to which hedge accounting (meaning the accounting process prescribed in Article 8, paragraph (69) of the Regulation on Financial Statements; the same applies in paragraph (4)) 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 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 particulars that are not material.
- (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 and the market price as of the interim balance sheet date may be set down in the notes, for each type of the subject matter of transactions.
- (3) The particulars prescribed in paragraph (1) that need to be included must be classified into transaction types (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 specified 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 sales 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 particulars.
- (4) The particulars prescribed in paragraph (2) that need to be included must be classified into the hedge accounting methods, the type of transactions, the hedged items (meaning the hedged items specified in Article 8, paragraph (69) of the Regulation on Financial Statements), and other particulars.
- (5) The particulars prescribed in paragraph (1) do not need to be included if a company submitting interim financial statements prepares interim consolidated financial statements.

(The Use of Tax Effect Accounting)

Article 5-6 With regard to corporate tax and any other taxes that are imposed on the amounts of profits as the tax base (hereinafter referred to as "corporate tax, etc."), interim financial statements must be prepared by using tax effect accounting (meaning an accounting process which, if the amounts of assets and liabilities recorded on the interim balance sheet and the amounts of assets and liabilities determined by calculating the taxable income is different, reasonably matches the amount of interim net income before the corporate tax, etc. is deducted with the amount of corporate tax, etc. through appropriate interperiod allocation of the amount of corporate tax, etc. pertaining to the differences; the same applies hereinafter).

(Notes Concerning Profit or Loss Under Equity Method)

Article 5-7 With regard to a company that does not prepare interim consolidated financial statements, the particulars 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 particulars 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) if 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) if there is any special purpose company that needs to be disclosed (meaning the special purpose company that needs to be disclosed specified in Article 8-9, item (ii) of the Regulation on Financial Statements; hereinafter the same applies in this item): the outline of the special purpose company that needs to be disclosed, the outline of transactions with the special purpose company that need to be disclosed, the transaction amount, and any other material particulars.

(Notes Concerning Grant or Issuance of Stock Options, Share Options in the Company or Shares in the Company)

Article 5-8 The provisions of Article 8-14 of the Regulation on Financial Statements apply mutatis mutandis to cases where stock options or share options in the company have been granted or the shares in the company 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 Concerning 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 particulars 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 not material to the financial position, operating results and cash flow situation of the company submitting interim financial statements:

- (i) the number of persons who are eligible for grants, by category such as officers, employees, etc.;
 - (ii) the number of stock options granted for the respective types of shares;
 - (iii) the grant date;
 - (iv) vesting conditions (if no vesting conditions are imposed, a statement to that effect);
 - (v) the required years of service (if required years of service is not determined, 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 referred to in the preceding paragraph must be included by either of the following methods:
- (i) the method to include the notes for each contract; or
 - (ii) the method to group together multiple contracts when stating them on the notes.
- (3) Notwithstanding the provisions of the preceding paragraph, notes for the stock options set forth in the following items, multiple contracts must not be grouped together when stating them on the notes:
- (i) stock options whose categories of persons eligible for grants, details of the vesting conditions, the required years of service, and the exercise period are not almost similar thereto;
 - (ii) stock options granted before public offering of shares, and stock options granted after public offering of shares; and
 - (iii) stock options of which method to set the exercise price is significantly different.
- (4) The particulars specified in the preceding three paragraphs do not need to be included if a company submitting interim financial statements prepares interim consolidated financial statements.

(Notes Concerning Acquisition Through Business Combination)

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 done 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) through (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 Concerning Reverse Acquisition in Business Combination)

Article 5-11 (1) The provisions of Article 8-18 of the Regulation on Financial Statements apply mutatis mutandis to the case where a reverse acquisition in business combination is done. 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 before tax for the period or the amount of net loss before tax for the period", "the amount of net income for the period or the amount of net loss for the period", and "the earnings per share of net income for the period or earnings per share of net loss for the period" in (b) of that item are deemed to be replaced with "the amount of interim net income before tax or the amount of interim net loss before tax", "the amount of interim net income or the amount of interim net loss", and "the earnings per share of interim net income or earnings per share 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 acquisition of another enterprise

through business combination is done 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 Concerning 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 the case where a parent company is absorbed into its subsidiary 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 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 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 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 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 replaced with "after the last day of the interim accounting period".

(Notes Concerning 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 through which a jointly controlled enterprise is formed. 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 replaced with "interim accounting period", the term "profit and loss statement" in paragraph (1), item (iv) of that Article is replaced with "interim profit and loss statement", and the term "consolidated financial statements" in paragraph (4) of that Article is replaced with "interim consolidated financial statements".

(Notes to Be Stated by Successor Enterprise in Business Divestures)

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 Concerning 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 Concerning 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 replaced with "interim balance sheet date", and the term "consolidated financial statements" in paragraph (2) of that Article is replaced with "interim consolidated financial statements".

(Notes Concerning a Going Concern Assumption)

Article 5-18 As of the interim balance sheet date, if there is an event or circumstances that would raise material doubt that may undermine an

assumption that the company will continue its business in the future (hereinafter referred to as the "going concern assumption"), and material uncertainty on the going concern assumption is still recognized even if measures for eliminating or improving the event or circumstances are taken, the following particulars must be set down in the notes; provided, however, that if the material uncertainty ceases to be recognized after the interim balance sheet date, those do not need to be set down in the notes:

- (i) a statement that the relevant event or circumstances exist, and details thereof;
- (ii) the response measures for eliminating or improving the relevant event or circumstances;
- (iii) a statement that the relevant material uncertainty is recognized and the reason therefor; and
- (iv) whether or not the interim financial statements reflect the impact of the relevant material uncertainty.

(Notes Concerning 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 Concerning 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 particulars must be set down in the notes as specified in 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 to calculate those amounts; and
- (iii) the differences between the total amount which is the sum of the respective items set forth in the preceding item and the amount recorded on the interim balance sheet or the amount recorded on the interim profit and loss statement for the respective account titles corresponding to those items and the description of the major differences.

- (2) With regard to information related to a reporting segment (referred to as "related information" in Form No. 2), the following particulars must be set down in the notes as specified in that form:
 - (i) information on each product and service;
 - (ii) information on each region; and
 - (iii) information of each major customer.
- (3) If the following particulars are recorded on the interim balance sheet or the interim profit and loss statement, the outline of each reporting segment must be set down in the notes as specified in Form No. 3:
 - (i) the impairment 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 particulars that are not material.
- (5) The particulars set forth in the items of paragraph (1) and the items of paragraph (2) and the outline prescribed in paragraph (3) do not need to be included if the company submitting interim financial statements prepares interim consolidated financial statements.

(Notes Concerning 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 real properties for rent, etc. (meaning real properties for rent, etc. prescribed in paragraph (1) of that Article; the same applies in the following paragraph). In this case, the phrase "recorded on the balance sheet" and the term "business year" in paragraph (1), item (ii) of that Article are deemed to be replaced with "recorded on 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) Among the particulars 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, if substantial fluctuations are not recognized in the amount of real properties for rent, etc. recorded on the interim balance sheet and the market price thereof as of the interim closing date compared to those of the last day of the previous business year, notes may be omitted for the particulars listed in those items by making a statement to that effect.

(Notes Concerning Inventory Assets)

Article 5-22 The provisions of Article 8-33 of the Regulation on Financial Statements apply mutatis mutandis to inventory assets held for the purpose of earning a profit from fluctuations in market prices. 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 Concerning Revenue Recognition)

Article 5-23 (1) The provisions of Article 8-32 of the Regulation on Financial Statements apply mutatis mutandis to revenues arising from contracts with customers. In this case, the term "financial statements" in paragraph (1) of that Article is deemed to be replaced with "interim financial statements", the terms "at the end of the current business year" and "after the following business year" in item (iii) of that paragraph are deemed to be replaced with "at the end of the current interim accounting period" and "after the last day of the current interim accounting period", respectively, 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, and the term "consolidated financial statements" in paragraph (5) of that Article is deemed to be replaced with "interim consolidated financial statements".

(2) If significant changes are not recognized in the relationship between the fulfilment of performance obligations based on contracts with customers and cash flows arising from those contracts, and the amount and the time of revenues expected to be recognized in and after the current business year from contracts with customers that exist at the end of the preceding business year (including information that serves as the basis for understanding revenues arising from contracts with customers related to these), the particulars prescribed in Article 8-32, paragraph (1), items (ii) and (iii) of the Regulation on Financial Statements as applied mutatis mutandis pursuant to the preceding paragraph may be omitted.

(Notes Concerning Additional Information)

Article 6 In addition to the notes particularly specified by this Regulation, if there are any particulars that are found to be necessary for interested parties of a company submitting interim financial statements to conduct an adequate assessment of the financial position, operating results and cash flow situation

of the company for the business year with regard to the interim accounting period pertaining to the interim financial statements, those particulars must be set down in the notes.

(Methods to Include Things Noted)

- Article 7 (1) The things noted under Article 4 must be included immediately after the interim cash flow statement.
- (2) The things noted under Articles 5 to 5-2-5 must be included immediately after the notes under Article 4.
- (3) The things noted 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 particulars pertaining to the notes are included; the same applies hereinafter); provided, however, that particulars related to the notes under Article 4 may be included together therewith.
- (4) Notwithstanding the provisions of the preceding paragraph, the things noted 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) If the notes that are related to a specific account title are included pursuant to the provisions of this Regulation, the association between the account title and the notes must be clearly stated by appending a symbol to the account title or by another method similar thereto.

(Units Used to Present Amounts)

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

Chapter II Interim Balance Sheets

Section 1 General Provisions

(Methods to Make Entries in Interim Balance Sheets)

- Article 8 (1) The methods to make entries in an interim balance sheet are governed by the provisions of this Chapter.
- (2) Entries in an interim balance sheet are to be made using Form No. 4.

(Classification of Assets, Liabilities and Net Assets to Be Presented)

Article 9 Assets, liabilities and net assets must be entered in the assets section,

liabilities section, and net assets section according to their respective categories.

(Arrangement of Account Titles)

Article 10 The account titles of assets and liabilities are to be arranged in order of liquidity.

Section 2 Assets

(Classification of Assets)

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

(Scope of Each Asset)

Article 12 The provisions of Articles 15 through 16-2, 22, 27, 31 through 31-4, and 36 of the Regulation on Financial Statements apply mutatis mutandis to the scope 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 through 16-2 of the Regulation on Financial Statements is deemed to be replaced with "on the 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".

(Categories of Current Assets to Be Presented)

Article 13 (1) Assets categorized as current assets must be recorded using the account title having a name that indicates the asset, in accordance with the following categories of items:

- (i) cash and deposits;
- (ii) negotiable instruments receivable, accounts receivable and contract assets;
- (iii) lease receivables (limited to those that have arisen from ordinary transactions, and excluding bankruptcy or reorganization claims, etc. (meaning the bankruptcy or reorganization claims, etc. specified in Article 8-10, paragraph (1), item (ix) of the Regulation on Financial Statements; the same applies in the following item) that are obviously not collectible within one year);
- (iv) lease investment assets (limited to those that have arisen from ordinary transactions, and excluding bankruptcy or reorganization claims, etc. that

- are obviously not collectible within one year);
- (v) securities;
 - (vi) inventory assets (meaning the assets set forth in Article 15, items (v) through (x) of the Regulation on Financial Statements); and
 - (vii) others.
- (2) If it is found appropriate to present assets categorized under any of the items referred to in items of the preceding paragraph separately, the provisions of that paragraph do not preclude the assets from being recorded separately using the account title having a name that indicates the assets.
- (3) Among the assets referred to in paragraph (1), item (viii), any asset of which the amount exceeds five percent of the total amount of assets must be recorded separately using the account title having a name that indicates the 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.

(Categories of Tangible Fixed Assets to Be Presented)

- Article 16 (1) Assets categorized as tangible fixed assets are to be recorded collectively using the 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 items that are found to be appropriate, and record them using the account title having a name that indicates the assets.
- (2) Notwithstanding the provisions of the preceding paragraph, if assets categorized as tangible fixed assets include any asset of which amount exceeds five percent of the total amount of assets, those assets must be separated from other tangible fixed assets and must be recorded using the account title having a name that indicates each one of the 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 amount 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 Amount of Accumulated Impairment Loss)

Article 17-2 The provisions of Article 26-2 of the Regulation on Financial Statements apply mutatis mutandis to the amount 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.

(Categories of Intangible Fixed Assets to Be Presented)

Article 18 (1) Assets categorized as intangible fixed assets are to be recorded collectively using the 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 items that are found to be appropriate, and recorded using the an account title having a name that indicates the 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 amount of accumulated amortization and the amount of accumulated impairment loss on intangible fixed assets.

(Categories of Investments and Other Assets to Be Presented)

Article 20 (1) Assets categorized as investments and other assets are to be recorded collectively using the 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 items that are found to be appropriate, and recorded using the account title having a name that indicates the assets.

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

(Presentation of Allowances for 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 for 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.

(Categories of Deferred Assets to Be Presented)

Article 22 (1) Assets categorized as deferred assets are to be recorded collectively using the 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 items that are found to be appropriate, and recorded using the account title with a name that indicates the 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 amount of accumulated amortization for deferred assets.

(Notes Concerning Collateral Assets)

Article 24 The provisions of Article 43 of the Regulation on Financial Statements apply mutatis mutandis to assets that have been used as collateral.

Article 25 Deleted.

Section 3 Liabilities

(Classification of Liabilities)

Article 26 Liabilities to be included must be classified into current liabilities and fixed liabilities.

(Scope of Each Liability Type)

Article 27 The provisions of Articles 47 to 48-3 and 51 to 51-4 of the Regulation on Financial Statements apply mutatis mutandis to the scope of current liabilities and fixed liabilities. In this case, the term "within one year" in Articles 47, 48-2 and 48-3 of the Regulation on Financial Statements is deemed to be replaced with "on the day within one year from the day following the interim balance sheet date".

(Categories of Current Liabilities to Be Presented)

Article 28 (1) Liabilities categorized as current liabilities must be recorded using

the account title having a name that indicates the liabilities, in accordance with the following categories of items:

- (i) negotiable instruments payable;
 - (ii) accounts payable;
 - (iii) short-term borrowings (including finance negotiable instruments and overdrafts); provided, however, that short-term borrowings from shareholders, officers, or employees are excluded;
 - (iv) lease obligations;
 - (v) accrued corporate tax, etc.;
 - (vi) allowances;
 - (vii) asset retirement obligations; and
 - (viii) others.
- (2) If it is found to be appropriate to present liabilities categorized under any of the items referred to in the items of the preceding paragraph, the provisions of that paragraph do not preclude those liabilities from being recorded separately using the account title having a name that indicates the liabilities.
- (3) If the allowances referred to in paragraph (1), item (vi) include any allowances of which amount exceeds one percent of the sum total of liabilities and net assets, the allowances must be recorded separately using the account title having a name that indicates the purpose for setting up the allowances.
- (4) Among the liabilities categorized under the items set forth in paragraph (1), item (viii), any liabilities of which amount exceeds five percent of the sum total of liabilities and net assets must be recorded using the account title having a name that indicates the liabilities.

(Categories of Fixed Liabilities to Be Presented)

Article 29 (1) Liabilities categorized as fixed liabilities must be recorded using the account title having a name that indicates the liabilities, in accordance with the following categories of items:

- (i) corporate bonds;
 - (ii) long-term borrowings (including finance negotiable instruments); provided, however, that long-term borrowings from shareholders, officers, or employees are excluded;
 - (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 items set forth in paragraph (1), item (vi).

(Notes Concerning Specified Accounts for Business Combination)

Article 30 The provisions of Article 56 of the Regulation on Financial Statements apply mutatis mutandis to specified accounts for a business combination that are recorded as 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 Concerning Contingent Liabilities)

Article 31 If there are contingent liabilities (meaning guarantee of debts (including those that have the same effect as guarantee of debts), or obligations for compensation in relation to contentious cases and other liabilities that have not actually arisen that may probably be paid by the business in the future), the details and amount 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 to be included must be classified into shareholders' equity, valuation and translation adjustments, and share options.

(Classification of Shareholders' Equity)

Article 32-2 Shareholders' equity to be included must be 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 after the subscription date.

(Categories of Capital Surplus to Be Presented)

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

(Categories of Retained Earnings to Be Presented)

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 of Valuation and Translation Adjustments and Categories Thereof to Be Presented)

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 Concerning Earnings per Share of Net Assets)

Article 36-3 (1) The earnings per share 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 done during the current

interim accounting period or after the interim balance sheet date, the following particulars must be set down in the notes in addition to the particulars prescribed in the preceding paragraph:

- (i) the fact that a consolidation of shares or a share split has been done; and
- (ii) the fact that the earnings per share of net assets is calculated assuming that the consolidation of shares or share split has been done at the beginning of the previous business year.

Section 5 Miscellaneous Provisions

(Reserves Under the Special Law)

- Article 37 (1) Reserves or allowances that must be recorded in the name of reserves or allowances pursuant to the provisions of laws and regulations and that are not appropriate to be recorded in the assets section or the liabilities section (hereinafter referred to as "reserves, etc.") must be entered separately by adding another category immediately after the fixed liabilities, notwithstanding the provisions of Articles 10 and 26.
- (2) reserves, etc. must be recorded using the account title having a name that indicates the purpose for setting aside the reserves, etc., and the provisions of law or regulations that provide for the recording thereof must be set down in the notes.
- (3) Whether or not the reserves, etc., are recognized as reserves to be used within one year must be set down in the notes; provided, however, that this does not apply to the reserves, etc. if it is difficult to determine it.

(Entries of Assets and Liabilities of Businesses Listed Separately)

- 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 "business listed separately") 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 business listed separately may enter its assets and liabilities in an equivalent manner as specified in 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 referred to in the preceding paragraph, the standards for recording the account titles of assets and liabilities collectively or separately are as specified in the provisions of this Regulation.

(Entries 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 specified in the provisions of laws and regulations or rules applicable to its financial statements. In this case, the governing laws and regulations, or rules must be set down in the notes.

(Entries of Assets and Liabilities Categorized as Specified Trust Property)

Article 38-3 In preparing an interim balance sheet concerning trust property to which 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)) (referred to as the "specified trust property" in Article 57-2) is applied, if it is found inappropriate to enter assets and liabilities categorized as the specific trust property pursuant to this Regulation, the assets and liabilities may be entered in an equivalent manner as specified in 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 to Make Entries in Interim Profit and Loss Statement)

Article 39 (1) The methods to make entries in interim profit and loss statement are governed by the provisions of this Chapter.

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

(Classification of Revenues and Expenses)

Article 40 Revenues and expenses to be entered must be classified into account titles having a name that indicates the following items:

- (i) net sales (including revenues from services; 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

(Methods to Present Net Sales)

Article 41 Net sales must be set recorded using the account title having a name that indicates the net sales.

(Methods to Present Cost of Sales)

Article 42 The cost of sales must be recorded using the account title having a name that indicates the cost of sales.

(Presentation of Gross Profit or Loss on Sales)

Article 43 The difference between the 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

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

Article 44 Expenses categorized as selling expenses and general and administrative expenses are to be recorded collectively using the an account title having a name that indicates the selling expenses and general and administrative expenses; provided, however, that this does not preclude the expenses categorized as selling expenses and general and administrative expenses from being classified into items that are found to be appropriate, and recorded using the account title with a name that indicates the expenses.

(Presentation of Amount of Operating Profit and Loss)

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

Section 4 Non-Operating Revenues and Non-Operating Expenses

(Methods to Present Non-Operating Revenues)

Article 46 (1) Revenues categorized as non-operating revenues are to be recorded collectively using the account title having a name that indicates the non-operating revenues; provided, however, that this does not preclude revenues categorized as non-operating revenues from being classified into items that are found to be appropriate, and recorded using the account title having a name

that indicates the revenues.

- (2) With regard to any revenues categorized as non-operating revenues that are material, the breakdown thereof must be set down in the notes; provided, however, that this does not apply if the revenues are recorded for each category using the account title having a name that indicates the breakdown thereof.

(Methods to Present Non-Operating Expenses)

Article 47 (1) Expenses categorized as non-operating expenses are to be recorded collectively using the 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 items that are found to be appropriate, and recorded using the account title with a name that indicates the expenses.

- (2) With regard to any expenses categorized as non-operating expenses that are material, the breakdown thereof must be set down in the notes; provided, however, that this does not apply if those expenses are recorded for each category using the account title having a name that indicates the breakdown thereof.

(Presentation of Amount of Ordinary Income and Loss)

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

Section 5 Extraordinary Profit and Extraordinary Loss

(Methods to Present Extraordinary Profit)

Article 49 (1) Profits categorized as extraordinary profit are to be recorded collectively using the account title having a name that indicates the extraordinary profit; provided, however, that this does not preclude profits categorized as extraordinary profit from being classified into items that are found to be appropriate, and recorded using the account title having a name that indicates the profits.

- (2) With regard to any profits categorized as extraordinary profit that are material, the breakdown thereof must be set down in the notes; provided, however, that this does not apply if the profits are recorded for each category using the account title having a name that indicates the breakdown thereof.

(Methods to Present Extraordinary Loss)

Article 50 (1) Losses categorized as extraordinary loss are to be recorded

collectively using the account title having a name that indicates the extraordinary loss; provided, however, that this does not preclude losses categorized as extraordinary loss from being classified into items that are found to be appropriate, and recorded using the account title having a name that indicates the losses.

(2) With regard to any losses categorized as extraordinary loss that are material, the breakdown thereof must be set down in the notes; provided, however, that this does not apply if the losses are recorded for each category using the account title having a name that indicates the breakdown thereof.

(Notes Concerning 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 specified in that Article) on 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 Concerning Gain on Reversal of Specified Accounts for 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 for 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 adding or subtracting the total amount of extraordinary profit or the total amount of extraordinary loss to or from the amount of ordinary income or the amount of ordinary loss, must be presented as the amount of interim net income before tax or the amount of interim net loss before tax.

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 using the account title having a name that indicates the breakdown thereof, immediately after the amount of interim net income before tax or the amount of interim net loss before tax:

- (i) the corporate tax, inhabitants tax, and enterprise tax (meaning the enterprise tax imposed on amount of profits as the tax base; the same applies in the following item) pertaining to the current interim accounting period; and
 - (ii) the corporate tax, etc. adjustments (meaning adjustments on the corporate tax, inhabitants tax, and enterprise tax set forth in the preceding item, for which tax effect accounting is used).
- (2) The items set forth in the items of the preceding paragraph may be entered collectively; provided, however, that in this case, a statement to that effect must be set down in the notes.
- (3) The amount obtained by adding or subtracting the amounts of the items set forth in the respective items of paragraph (1) to or from the amount of interim net income before tax or amount of interim net loss before tax must be entered as the amount of interim net income or the amount of interim net loss.
- (4) If there are taxes to be paid or refund of tax due to correction, determination, etc. of corporate tax, etc., the amounts are to be entered using the account title having a name that indicates the description thereof, immediately after the item set forth in paragraph (1), item (i); provided, however, that those amounts may be presented as the amount of the item set forth in that item that include taxes to be paid or refund of tax, if they are not material.

(Notes Concerning Earnings per Share of Interim Net Income or Net Loss)

Article 52-2 (1) The earnings per share of interim net income or earnings per share 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 done during the current interim accounting period or after the interim balance sheet date, the following particulars must be set down in the notes in addition to the particulars prescribed in the preceding paragraph:

- (i) the fact that a consolidation of shares or a share split has been done; and
- (ii) the fact that the earnings per share of interim net income or interim net loss is calculated assuming that the consolidation of shares or share split has been done at the beginning of the previous business year.

(3) The particulars specified in the preceding two paragraphs do not need to be included if a company submitting interim financial statements prepares interim consolidated financial statements.

(Notes Concerning Diluted Earnings per Share of Interim Net Income)

Article 53 (1) The diluted earnings per share of interim net income (meaning the earnings per share of interim net income that has been calculated assuming that the rights pertaining to securities or contracts with 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) will be exercised 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 done during the current interim accounting period or after the interim balance sheet date, the following particulars must be set down in the notes in addition to the particulars prescribed in the preceding paragraph:
 - (i) the fact that a consolidation of shares or a share split has been done; and
 - (ii) the fact that the diluted earnings per share of interim net income is calculated assuming that the consolidation of shares or share split has been done at the beginning of the previous business year.
- (3) Notwithstanding the preceding two paragraphs, when no potential shares exist, when the diluted earnings per share of interim net income is not less than the earnings per share of interim net income, and when the diluted earnings per share of interim net income is the earnings per share of interim net loss, a statement to that effect must be made, and the diluted earnings per share of interim net income need not to be entered.
- (4) The particulars specified in the preceding three paragraphs do not need to be included if a company submitting interim financial statements prepares interim consolidated financial statements.

Section 7 Miscellaneous Provisions

(Provision or Reversal of Reserves Under the Special Laws)

Article 54 If a provision or reversal of a reserve, etc. is set aside, the amount of the provision or reversal must be recorded as an extraordinary loss or extraordinary profit using the account title having a name that indicates the relevant provision or reversal.

(Notes Concerning Significant Seasonal Fluctuations in Net Sales or Operating Expenses)

Article 55 If there are significant seasonal fluctuations in net sale or operating expenses (meaning the sum total of the cost of sales, selling expenses, and general and administrative expenses) due to the nature of the business, the situation must be set down in the notes.

(Notes Concerning Amount of Depreciation)

Article 56 The amount of depreciation of tangible fixed assets and intangible fixed assets with regard to the relevant interim accounting period must be set

down separately in the notes as the amounts of tangible fixed assets and intangible fixed assets.

(Entries of Revenues and Expenses of Businesses Listed Separately)

Article 57 (1) If a stock company or designated corporation engaged in a business listed separately 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 business listed separately may enter its revenues and expenses in an equivalent manner as specified in the provisions of laws and regulations, or rules applicable to its financial statements.

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

(Entries of Revenues and Expenses Attributable to Specified Trust Property)

Article 57-2 (1) In preparing an interim profit and loss statement for specified trust property, if it is found inappropriate to enter revenues and expenses attributable to the specific trust property pursuant to this Regulation, the revenues and expenses may be entered in an equivalent manner as specified in 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 where an interim profit and loss statement for specified trust property is prepared.

Chapter IV Interim Statement of Changes in Net Assets

Section 1 General Provisions

(Methods to Make Entries in Interim Statement of Changes in Net Assets)

Article 58 (1) The methods to make entries in an interim statement of changes in net assets are governed by the provisions of this Chapter.

(2) Entries in an interim statement of changes in net assets are to be made using Form No. 6.

(Categories of Interim Statement of Changes in Net Assets to Be Presented)

Article 59 (1) Entries in an interim statement of changes in net assets must be made for the categories of shareholders' equity, valuation and translation adjustments, and share options.

(2) Items that have been classified into appropriate items must be recorded in an interim statement of changes in net assets, using the account title having a

name that indicates the item. 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 needs to be entered after it is categorized into the remaining balance at the beginning of the current business year, the changes in the amount during the current interim accounting period, and the remaining balance at the end of the current interim accounting period.

(2) The changes in the amount during the current interim accounting period for the account titles entered for shareholders' equity must be entered for each reason for the change.

(3) Dividends of surplus must be presented as the reason for the change 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 the reason for the change 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 changes in the amount 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 change in the amount 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 those are categorized into the remaining balance at the beginning of the current business year, the changes in the amount during the current interim accounting period, and the remaining balance at the end of the current interim accounting period.

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

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 changes in the amount 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 changes in the amount 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 those are categorized into the remaining balance at the beginning of the current business year, the changes in the amount during the current interim accounting period, and the remaining balance at the end of the current interim accounting period.

(2) The changes in the amount of share options 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.

Section 5 Particulars to Be Set Down in Notes

(Notes Concerning Issued Shares)

Article 65 The provisions of Article 106 of the Regulation on Financial Statements apply mutatis mutandis to the 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 Concerning Treasury Shares)

Article 66 The provisions of Article 107 of the Regulation on Financial Statements apply mutatis mutandis to the 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 Concerning 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 Concerning 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 "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 "consolidated interim 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 particulars pursuant to this Regulation, the designated corporation may enter particulars in an equivalent manner as specified in the provisions of laws and regulations, or rules applicable to its financial statements.

Chapter V Interim Cash Flow Statement

Section 1 General Provisions

(Methods to Make Entries in Interim Cash Flow Statement)

Article 69 (1) The methods to make entries in an interim cash flow statement are governed by the provisions of this Chapter.

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

(Companies That are Required to Prepare an Interim Cash Flow Statement)

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

(Categories of Interim Cash Flow Statement to Be Presented)

Article 71 Cash flow situation must be included in an interim cash flow statement by adding the categories 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 remaining balances of cash and cash equivalents at the beginning of the accounting period; and
- (vii) the remaining balances of cash and cash equivalents at the end of the interim period.

Section 2 Methods to Make Entries in an Interim Cash Flow Statement

(Methods to Present Cash Flows from Operating Activities)

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

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

Article 73 In an interim cash flow statement, the relationship between the remaining balances of cash and cash equivalents at the end of the interim period and the amounts for the account titles recorded 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 Used 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 submitted by a specified company complying with designated international accounting standards are governed by the provisions of the preceding Chapters.

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

(Notes Concerning Special Provisions for Accounting Standards)

Article 75 The following particulars must be set down in the notes in interim financial statements prepared in accordance with the designated international accounting standards:

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

Chapter VII Interim Financial Documents of Foreign Companies

(Standards Used 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 its interim financial documents, considering the submission thereof does not impair the public interest or protection of investors, the terminology, forms, and preparation methods of the interim financial documents are to be, except for the particulars instructed by the Commissioner of the Financial Services Agency as necessary,

governed by the laws concerning the terminology, forms, and preparation methods used in its home country.

- (2) If the documents on financial calculation disclosed in the home country by a foreign company have not been approved by the Commissioner of the Financial Services Agency based on the provisions of the preceding paragraph, and the Commissioner of the Financial Services Agency approves the foreign company to submit the documents on financial calculation disclosed in the region outside Japan other than its home country as its interim financial documents, considering the submission thereof does not impair the public interest or protection of investors, the terminology, forms, and preparation methods of the interim financial documents are to be, except for the particulars that were instructed by the Commissioner of the Financial Services Agency as necessary, governed by the laws concerning the terminology, forms, and preparation methods used in that region outside Japan other than its home country.
- (3) If the documents on financial calculation disclosed by a foreign company in its home country or any other region outside Japan have not been 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 the interim financial documents 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 the interim financial documents submitted by a foreign company issuing regulated securities (meaning the regulated securities specified in Article 5, paragraph (1) of the Act) 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 its interim financial documents, considering the submission thereof does not impair the public interest or protection of investors, the terminology, forms, and preparation methods of the interim financial documents are to be, except for the particulars that were instructed by the Commissioner of the Financial Services Agency as necessary, governed by the laws concerning the terminology, forms, and preparation methods used in its home country.

(Notes Concerning 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) through (3) of the preceding Article

differ from the accounting principles and procedures for preparing interim financial documents in Japan, the details 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 submitted by a foreign company.

(2) If any of the methods to present the interim financial documents submitted by a foreign company differs from the methods to present the interim financial documents in Japan, the details 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 particulars set down in interim financial documents submitted by a foreign company are presented in the amounts in foreign currency other than Japanese currency, the amounts for major particulars that have been translated into Japanese currency are also to be entered. In this case, the basis for currency translation adopted for the translation of the amount into Japanese currency must be set down in the notes in the interim financial documents.

(Method to Include Things Noted)

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 if the notes are found inappropriate to be included as footnotes, those may be included in any other appropriate parts.

(2) The provisions of Article 7, paragraph (5) apply *mutatis mutandis* to the case when including things noted pursuant to the provisions of Articles 77 and 78.