

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

(Ministry of Finance Order No. 59 of November 27, 1963)

Pursuant to the provisions of Article 193 of the Securities and Exchange Act (Act No. 25 of 1948), a Ministerial Order for fully amending the Rules on Terminology, Forms, and Preparation Methods of Financial Statements (Securities and Exchange Commission Rules No. 18 of 1950) is hereby established as follows.

Chapter I General Provisions (Articles 1 through 10-3)

Chapter II Balance Sheets

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Section 2 Assets

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Division 2 Current Assets (Articles 15 through 21)

Division 3 Fixed Assets (Articles 22 through 35)

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Division 2 Shareholders' Equity (Articles 60 through 66-2)

Division 3 Valuation and Translation Adjustments (Article 67)

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Chapter III Profit and Loss Statements

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Chapter IV Statements of Changes in Net Assets
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Chapter I General Provisions

(General Principles for Application of this Regulation)

Article 1 (1) From among the financial and accounting documents (hereinafter referred to as "financial documents") that are to be submitted pursuant to the provisions of Article 5, Article 7, paragraph (1), Article 9, paragraph (1), Article 10, paragraph (1) or Article 24, paragraph (1) or (3) of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "Act") (including cases where these provisions are applied mutatis mutandis pursuant to paragraph (5) of that Article) or paragraph (6) of that Article (including cases where any of these provisions are applied mutatis mutandis pursuant to Article 24-2, paragraph (1) of the Act and cases where these provisions are applied mutatis mutandis, pursuant to Article 27 of the Act, to a corporation which has been designated by the Commissioner of the

Financial Services Agency, as such to whom it is found appropriate to apply this Regulation (hereinafter referred to as a "designated corporation")), the terminology, forms, and preparation methods of financial statements (meaning balance sheets, profit and loss statements, statements of changes in net assets and cash flow statements (including documents that are equivalent to these financial documents, and that are prepared by a designated corporation or prepared for specified trust property prescribed in Article 2-2; the same applies hereinafter) and annexed detailed statements or, if financial documents are prepared pursuant to any 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 129, paragraph (2), equivalents to balance sheets, profit and loss statements, statements of changes in net assets and cash flow statements, of which preparation is required pursuant to the designated international accounting standards; the same applies hereinafter) are governed by the provisions of this Chapter to Chapter VIII, excluding Article 1-3, and any particulars that are not provided for under this Regulation are to follow business accounting standards generally accepted as fair and appropriate.

- (2) The 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, as prescribed in the preceding paragraph.
- (3) Those from among the business accounting standards prepared and published by organizations that research, study, and develop business accounting standards on a regular basis, and that satisfy all of the following requirements, those which are specified by the Commissioner of the Financial Services Agency as those that have been developed and published under fair and proper procedures and are expected to be generally accepted as fair and appropriate business accounting standards are to fall under the business accounting standards generally accepted as fair and appropriate prescribed in paragraph (1):
 - (i) that it is a private organization that is in an independent position in relation to any interested party;
 - (ii) that it is funded continuously not by a specific person but a large number of persons;
 - (iii) that it has set up a body with a council or any other panel consisting of persons competent to develop business accounting standards from a

- viewpoint of the expert with high level of knowledge (referred to as a "Standards Committee" in the following item and item (v));
- (iv) that its Standards Committee performs its duties in a fair and sincere manner; and
 - (v) that its Standards Committee continuously conducts reviews in terms of proper responses to changes in the business environment surrounding the companies, etc. (meaning a company, designated corporation, partnership or any other business entity equivalent thereto (including a business entity equivalent thereto in a foreign country); the same applies hereinafter) and practices of companies, etc. and the international convergence (meaning ensuring the standardization of business accounting standards on an international scale).
- (4) If the Commissioner of the Financial Services Agency has published any particular standards for preparation methods for specific particulars concerning financial statements that are to be submitted pursuant to the provisions of the Act, the standards are regarded as those which are governed by the provisions of this Regulation and to be applied prior to the business accounting standards generally accepted as fair and appropriate prescribed in paragraph (1).

(Special Provisions for Companies Which Prepare Consolidated Financial Statements)

Article 1-2 The terminology, forms, and preparation methods of financial statements submitted by a company with financial auditors as prescribed in Article 2, item (xi) of the Companies Act (Act No. 86 of 2005) (excluding a stock company or designated corporation engaged in a business specified separately as prescribed in Article 2; referred to as a "special company submitting financial statements" in Chapter VII) may be governed by the provisions of that Chapter.

(Special Provisions for Specified Companies Complying with Designated International Accounting Standards)

Article 1-2-2 The terminology, forms, and preparation methods of 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 prepare consolidated financial statements, be governed by the provisions of Chapter VIII:

- (i) in the securities registration statement that it submits pursuant to the

provisions of Article 5, paragraph (1) of the Act or in annual securities reports that it submits pursuant to the provisions of Article 24, paragraph (1) or (3) of the Act, it gives a statement that it makes special efforts to ensure the appropriateness of 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 financial statements can be prepared in a proper manner under the designated international accounting standards.

(Special Provisions for Foreign Companies)

Article 1-3 The terminology, forms, and preparation methods of financial documents (excluding interim financial documents and quarterly financial documents; the same applies in Chapter IX) that are submitted by a foreign company (meaning an issuer of beneficiary securities in foreign investment trusts set forth in Article 2, paragraph (1), item (x) of the Act, foreign investment securities set forth in item (xi) of that paragraph, securities set forth in item (xvii) of that paragraph of the nature of the securities set forth in items (iii) through (ix) or items (xii) through (xvi) of that paragraph, securities set forth in item (xviii) of that paragraph, securities set forth in item (xix) or item (xx) of that paragraph (limited to those whose issuer is a foreign person), securities set forth in item (xxi) of that paragraph or rights set forth in paragraph (2), item (ii), (iv) or (vi) of that Article; the same applies in that Chapter) are to be governed by the provisions of that Chapter.

(Application of This Regulation to Companies Engaged in Specified Business)

Article 2 With regard to the terminology, forms, and preparation methods of financial statements submitted by a stock company or designated corporation that is engaged in a business set forth in the appended list (hereinafter referred to as a "business specified separately") to its government agency, if there are any special provisions of law or regulations or if there are any rules on financial statements (hereinafter referred to as "rules") established by its government agency pursuant to this Regulation, the terminology, forms, and preparation methods of the financial statements submitted by the stock company or designated corporation engaged in the relevant business pursuant to the provisions of the Act are to be governed by the provisions of the law, regulations or rules, notwithstanding the provisions of Articles 11 through 68-2, Articles 68-4 through 77, Articles 79 through 109 and Articles 110 through 121; provided, however, that this does not apply to particulars that the Commissioner of the Financial Services finds it to be necessary and on which the Commissioner has given instructions, nor does this apply to particulars that are not provided for by the law, regulations or rules.

(Application of this Regulation to Specified Trust Property)

Article 2-2 The terminology, forms, and preparation methods of the financial statements that needs to be prepared with regard to trust property to which the Regulation on Accounting for Special Purpose Trust Property (Prime Minister's Office Order No. 132 of 2000; hereinafter referred to as the "special purpose trust property accounting regulation") or the Regulation on Accounting for Investment Trust Property (Prime Minister's Office Order No. 133 of 2000; hereinafter referred to as the "investment trust property accounting regulation") (that trust property is hereinafter referred to as the "specified trust property") are applicable are to be governed by the special purpose trust property accounting regulation or the investment trust property accounting regulation, notwithstanding the provisions of Articles 11 68-2, Articles 68-4 through 77, Articles 79 through 109 and Articles 110 through 121; provided, however, that this does not apply to particulars that the Commissioner of the Financial Services Agency finds it to be necessary and on which the Commissioner has given instructions, nor does this apply to particulars that are not provided for by the special purpose trust property accounting regulation or the investment trust property accounting regulation.

Article 3 Financial statements submitted pursuant to the provisions of the Act, by a stock company concurrently engaged in two or more businesses to which the provisions of Article 2 are applicable are to be governed by the laws, regulations or rules that are applicable to the business constituting the main parts of the operations of that company among these businesses; provided, however, that particulars concerning any business other than its main business or particulars for which the company has obtained the approval of the Commissioner of the Financial Services Agency as the company finds that the particulars should not be governed by the provisions of the relevant laws, regulations or rules, may be governed by laws, regulations or rules that are relevant to any of the businesses other than the main business.

Article 4 If a stock company is concurrently engaged in a business to which the provisions of Article 2 are applicable and any other business, and the relevant other business constitutes the main parts of the operations of that company, the financial statements that are submitted by the company pursuant to the provisions of this Act may be excluded from the application of the provisions of Article 2; provided, however, that particulars related to the business to which the provisions of Article 2 are applicable may be governed by the relevant laws, regulations or rules.

Article 4-2 If a stock company or designated corporation engaged in specified financial services (meaning specified financial services as prescribed in Article 2, paragraph (2) of the Cabinet Office Order on Account Management of specified finance companies (Order of the Prime Minister's Office and the Ministry of Finance No. 32 of 1999); the same applies hereinafter) set forth in Appended List No. 19 is concurrently engaged in any business other than specified financial services, particulars concerning the specified financial services are to be governed by that Regulation, notwithstanding the provisions of the preceding two Articles.

(Standards for Preparation and Methods to Present Financial Statements)

Article 5 (1) The terminology, forms, and preparation methods of financial statements to be submitted pursuant to the provisions of the Act must comply with the following standards:

- (i) the financial statements must present true information concerning the financial position, financial performance, and cash flow situation (meaning cash flow as prescribed in Article 8, paragraph (18); the same applies in the following item) of the company submitting financial statements (meaning the company, designated corporation, or partnership that needs to submit financial statements pursuant to the provisions of the Act; the same applies hereinafter);
 - (ii) the financial statements must clearly present the accounting information necessary for preventing the interested parties of the company submitting financial statements from making an erroneous determination on the financial position, financial performance, and cash flow situation; and
 - (iii) the accounting principles and procedures used by the company submitting financial statements are being applied continuously throughout each period for which financial statements are prepared, except when those will be changed based on justifiable grounds.
- (2) The same method must be used for preparation of the same contents that must be included in financial statements, throughout each period for which financial statements are prepared, except when those will be changed based on justifiable grounds.

(Preparation of Comparative Information)

Article 6 Financial statements for the current fiscal year must be prepared by including, as components of the financial statements, comparative information (meaning the particulars pertaining to the fiscal year immediately preceding the current fiscal year (hereinafter referred to as the "previous business year") corresponding to the particulars included in the financial statements (excluding the supplementary schedules) for the current fiscal year).

Article 7 Deleted.

(Definitions)

Article 8 (1) The term "within one year" as used in this Regulation means any day within one year from the day following the date of the balance sheet.

(2) The term "ordinary transaction" as uses in this Regulation means transactions that occur routinely or repeatedly during a short period of time, in the operating activities of the company submitting financial statements for business purposes.

(3) The term "parent company" as used in this Regulation means a company, etc. that has control over the body that makes decisions on the financial and operational or business policies of another company, etc. (meaning the ensemble of shareholders at a shareholders' meeting or any other bodies equivalent thereto; hereinafter referred to as a "decision-making body"), and the term "subsidiary company" means the relevant other company, etc. Where a parent company and a subsidiary company jointly, or a subsidiary company alone has control over the decision-making body of another company, etc., the relevant other company, etc. is also deemed as a subsidiary company of the parent company.

(4) A company, etc. that has control over a decision-making body of another company, etc. specified in the preceding paragraph means any of the companies, etc. set forth in the following items; provided, however, that this does not apply to a company, etc. that is obviously has no control over the decision-making body of another company, etc. in terms of the financial, operational or business relationships:

(i) a company, etc. that holds, on its own account, the majority of the voting rights in another company, etc. (excluding a company, etc. to which a decision for the commencement of rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999) has been given, a stock company to which a decision for the commencement of corporate reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002) has been given, a company, etc. to which a decision for the commencement of bankruptcy proceedings under the Bankruptcy Act (Act No. 75 of 2004) has been given, or any other company, etc. equivalent thereto, and is found to have no effective parent-subsidiary relationship; hereinafter the same applies in this paragraph);

(ii) a company, etc. that holds, on its own account, not less than forty percent and not more than fifty percent of the voting rights in another company, etc., and that satisfies any of the following requirements:

(a) the voting rights held on its own account and the voting rights held by

any persons who are found to exercise their voting rights in the same manner as the intent of the company, etc. due to the fact that they have a close relationship with the company, etc. in terms of investment, personnel, funds, technology, transactions, etc. and those held by any persons who have agreed to exercise their voting rights in the same manner as the intent of the company, etc., when combined altogether, constitute a majority of the voting rights in another company, etc.;

(b) that persons who are or were officers (meaning officers as prescribed in Article 21, paragraph (1), item (i) of the Act (including cases where it is applied mutatis mutandis pursuant to Article 27 of the Act); the same applies hereinafter) or employees of the company, etc. and who are able to exert its influence on decisions on financial and operational or business policy made by another company, etc. constitute a majority of the members of the board of directors or any other administrative instrument equivalent thereto at the relevant other company, etc.;

(c) there is a contract, etc. that has control over the decisions on material financial and operational or business policy to be made by another company, etc.;

(d) the company, etc. has financed (including guaranteeing debts and providing collateral; hereinafter the same applies in this item and paragraph (6), item (ii), (b)) a majority of the total amount of the procured funds (limited to those recorded in the liabilities section of the balance sheet) of another company, etc. (including cases where the amount financed by the company, etc. and the amount financed by any persons who have a close relationship with the company, etc. in terms of investment, personnel, funds, technology, transactions, etc., when combined altogether, constitute a majority of the total amount of the procured funds); or

(e) there is a fact that the company, etc. is presumed to have control over the decision-making body of another company, etc.; and

(iii) a company, etc. whose voting rights being held on its own account, when combined with the voting rights held by any persons who are found to exercise their voting rights in the same manner as the intent of the company, etc. due to the fact that they have a close relationship with the company, etc. in terms of investment, personnel, funds, technology, transactions, etc. and with those held by any persons who have agreed to exercise their voting rights in the same manner as the intent of the company, etc. (including cases where the company, etc. holds no voting rights on its own account), constitute the majority of the voting rights in another company, etc., and that satisfies any of the requirements set forth in (b) to (e) of the preceding item.

(5) The term "affiliated company" as used in this Regulation means, when a

company, etc. or its subsidiary company is able to exert its significant influence on decisions on financial and operational or business policy to be made by another company, etc. that is not a subsidiary company, due to the relationship in terms of investment, personnel, funds, technology, transactions, etc., the relevant other company, etc. that is not a subsidiary company.

(6) The cases referred to in the preceding paragraph where a significant influence can be exerted on decisions on financial and operational or business policy of another company, etc. that is not a subsidiary company are the cases set forth in the following items; provided, however, that this does not apply when it is found that the company, etc. or its subsidiary company of the company, etc. is obviously unable to exert a material influence on decisions on financial and operational or business policy of another company, etc. that is not a subsidiary company, in terms of financial, operational or business relationships:

- (i) if the company, etc. or its subsidiary company holds, on its own account, not less than twenty percent of the voting rights in another company, etc. that is not a subsidiary company (excluding a company, etc. to which a decision for the commencement of rehabilitation proceedings under the Civil Rehabilitation Act has been given, a stock company to which a decision for the commencement of corporate reorganization proceedings under the Corporate Reorganization Act has been given, a company, etc. to which a decision for the commencement of bankruptcy proceedings under the Bankruptcy Act has been given, or any other company, etc. equivalent thereto, and if the company, etc. or its subsidiary company is found to be unable to exert a significant influence on decisions on financial and operational or business policy to be made by the company, etc.; hereinafter the same applies in this paragraph);
- (ii) if the company, etc. or its subsidiary company of the company, etc. holds, on its own account, not less than fifteen percent but less than twenty percent of the voting rights in another company, etc. that is not a subsidiary company, and if any of the following requirements are satisfied:
 - (a) a person who is or was an officer or employee of the company, etc. or its subsidiary company and who is able to exert an influence on decisions on financial and operational or business policy made by another company, etc. that is not a subsidiary company has been appointed to the representative director, director or any other position equivalent thereto at the relevant other company, etc. that is not a subsidiary company;
 - (b) the company, etc. or its subsidiary company provides material financing to another company, etc. that is not a subsidiary company;
 - (c) the company, etc. or its subsidiary company provides material technology to another company, etc. that is not a subsidiary company;

- (d) there are material transactions of sales, purchases or any other operational or business transactions with any company, etc. other than its subsidiary company; or
 - (e) there is a fact that that the company, etc. or its subsidiary company is presumed to be able to exert a significant influence on decisions on financial and operational or business policy to be made by another company, etc. that is not a subsidiary company;
 - (iii) if the voting rights held by the company, etc. or its subsidiary company, on its own account, when combined with the voting rights held by any persons who are found to exercise their voting rights in the same manner as the intent of the company, etc. or its subsidiary company due to the fact that they have a close relationship with the company, etc. or its subsidiary company in terms of investment, personnel, funds, technology, transactions, etc. and with the voting rights held by any persons who have agreed to exercise their voting rights in the same manner as the intent of the company, etc. or its subsidiary company (including cases where the company, etc. or its subsidiary company holds no voting rights on its own account), account for not less than twenty percent of the voting rights in another company, etc. that is not a subsidiary company, and if any of the requirements set forth in (a) through (e) of the preceding item are met; and
 - (iv) if a non-subsidiary company, etc. falls under an enterprise (meaning a company or a business entity that is equivalent to a company; the same applies hereinafter) that is controlled jointly by multiple independent enterprises (hereinafter referred to as a "jointly controlled enterprise").
- (7) When a special purpose company (meaning a specified purpose company as prescribed in Article 2, paragraph (3) of the Act on the Securitization of Assets (Act No. 105 of 1998; hereinafter referred to as the "Asset Securitization Act" in this paragraph and Article 122, item (viii)) (referred to as a "specified purpose company" in Article 122, item (viii)) and business entities engaged in business similar thereto which are restricted from changing the description of business; hereinafter the same applies in this paragraph) has been incorporated for the purpose of allowing the holders of securities issued thereby (including the creditors of specific borrowings as prescribed in Article 2, paragraph (12) of the Asset Securitization Act) to enjoy the revenues from assets that have been transferred to the special purpose company at a fair value, and when the business of the special purpose company is being appropriately conducted as intended, the special purpose company is deemed to be independent from any company, etc. that has transferred assets to the special purpose company (hereinafter collectively referred to as a "transferor company, etc.") and, notwithstanding the provisions of paragraphs (3) and (4), the special purpose company is presumed not to fall under a subsidiary

company of the transferor company, etc.

- (8) The term "associated company" as used in this Regulation, means the parent company, subsidiary company, or affiliated company of the company submitting financial statements and, if the company submitting financial statements is the affiliated company of another company, etc., the relevant other company, etc. (referred to as "other associated company" in paragraph (17), item (iv)).
- (9) The term "futures transactions" as used in this Regulation means the following transactions:
- (i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in items (i) and (ii) of that paragraph) and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions that are similar to the transactions set forth in paragraph (21), items (i) and (ii) of that Article); and
 - (ii) futures transactions prescribed in Article 2, paragraph (3) of the Commodity Derivatives Transaction Act (Act No. 239 of 1950) (limited to the transactions set forth in items (i) to (iii) of that paragraph) and foreign commodity market transactions similar thereto (meaning foreign commodity market transactions prescribed in paragraph (13) of that Article; the same applies hereinafter).
- (10) The term "options transactions" as used in this Regulation means the following transactions:
- (i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in item (iii) of that paragraph), over-the-counter derivatives transactions as prescribed in paragraph (22) of that Article (limited to the transactions set forth in items (iii) and (iv) of that paragraph), and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions similar to the transactions set forth in paragraph (21), item (iii) of that Article);
 - (ii) futures transactions as prescribed in Article 2, paragraph (3) of the Commodity Derivatives Transaction Act (limited to the transactions set forth in item (iv) of that paragraph), transactions on a commodity market as prescribed in paragraph (10) of that Article (limited to the transactions set forth in item (i), (e) and (g) of that paragraph) and foreign commodity market transactions similar thereto, and over-the-counter commodity derivative transactions as prescribed in paragraph (14) of that Article (limited to the transactions set forth in items (iv) and (v) of that paragraph); and
 - (iii) transactions similar to the transactions set forth in the preceding two items (including transactions other than transactions on a financial instruments exchange market (meaning the financial instruments exchange market prescribed in Article 2, paragraph (17) of the Act), a foreign financial

instruments market (meaning the foreign financial instruments market prescribed in Article 2, paragraph (8), item (iii), (b) of the Act), the commodity market prescribed in Article 2, paragraph (10) of the Commodity Derivatives Transaction Act, or a foreign commodity market (transactions on those markets are collectively referred to as "market transactions" in item (iii) of the following paragraph and Article 8-8, paragraph (2))).

- (11) The term "forward transactions" as used in this Regulation means the following transactions:
- (i) over-the-counter derivatives transactions as prescribed in Article 2, paragraph (22) of the Act (limited to the transactions set forth in items (i) and (ii) of that paragraph);
 - (ii) over-the-counter commodity derivative transactions as prescribed in Article 2, paragraph (14) of the Commodity Derivatives Transaction Act (limited to the transactions set forth in items (i) through (iii)); and
 - (iii) transactions other than those set forth in the preceding two items, which are similar to futures transactions (limited to transactions other than market transactions).
- (12) The term "swap transactions" as used in this Regulation means the following transactions:
- (i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in item (iv) of that paragraph), over-the-counter derivatives transactions as prescribed in paragraph (22) of that Article (limited to the transactions set forth in item (v) of that paragraph), and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions similar to those set forth in paragraph (21), item (iv) of that Article);
 - (ii) futures transactions as prescribed in Article 2, paragraph (3) of the Commodity Derivatives Transaction Act (limited to the transactions set forth in items (v) and (vi) of that paragraph), transactions on a commodity market as prescribed in paragraph (10) of that Article (limited to the transactions set forth in item (i), (f) of that paragraph) and foreign commodity market transactions similar thereto, and over-the-counter commodity derivative transactions as prescribed in paragraph (14) of that Article (limited to the transactions set forth in item (vi) of that paragraph); and
 - (iii) transactions similar to those set forth in the preceding two items.
- (13) The term "any other derivatives transactions" as used in this Regulation means the following transactions:
- (i) market derivatives transactions as prescribed in Article 2, paragraph (21) of the Act (limited to the transactions set forth in items (v) and (vi) of that paragraph), over-the-counter derivatives transactions as prescribed in paragraph (22) of that Article (limited to the transactions set forth in items

- (vi) and (vii) of that paragraph), and foreign market derivatives transactions as prescribed in paragraph (23) of that Article (limited to transactions similar to those set forth in paragraph (21), items (v) and (vi) of that Article); and
- (ii) transactions similar to those set forth in the preceding item.
- (14) The term "derivatives transactions" as used in this Regulation means transactions as prescribed in paragraph (9) through the preceding paragraph.
- (15) The term "consolidated financial statements" as used in this Regulation means the consolidated financial statements prescribed in Article 1 of the regulation on consolidated financial statements.
- (16) The term "equity method" as used in this Regulation means the method prescribed in Article 2, item (viii) of the Regulation on Consolidated Financial Statements.
- (17) The term "related party" as used in this Regulation means any of the following parties:
- (i) the parent company of the company submitting financial statements;
 - (ii) the subsidiary companies of the company submitting financial statements;
 - (iii) companies, etc. whose parent company is the same as that of the company submitting financial statements;
 - (iv) other associated companies of the company submitting financial statements, and the parent company and the subsidiary companies of the other associated companies;
 - (v) the affiliated companies of the company submitting financial statements, and the subsidiary companies of those affiliated companies;
 - (vi) the major shareholders (meaning major shareholders as prescribed in Article 163, paragraph (1) of the Act; the same applies hereinafter) of the company submitting financial statements and the close relatives (meaning relatives within the second degree of consanguinity; the same applies in the following item and item (viii)) thereof;
 - (vii) the officers of the company submitting financial statements and the close relatives thereof;
 - (viii) the officers of the parent company of the company submitting financial statements and the close relatives thereof;
 - (ix) a company, etc., whose majority of voting rights are held by any of the persons set forth in the preceding three items, on their own accounts, and the subsidiary companies of the company, etc.; and
 - (x) a corporate pension for the employees of the company submitting financial statements (limited to the cases where material transactions (excluding the contribution of premiums) with the company submitting financial statements are made).
- (18) The term "cash flow" as used in this Regulation means any increase or

decrease in the funds prescribed in the following paragraph.

- (19) The term "funds" as used in this Regulation means the total amount of cash (including any current deposits, ordinary deposits and other deposits of which depositor is able to withdraw before a certain period of time elapses; the same applies in Chapter V) and cash equivalents (meaning short-term investments which can be easily converted into cash, with low risk of value fluctuations; the same applies in Chapter V).
- (20) The term "trading securities" as used in this Regulation means securities held for earning a profit from fluctuations in market value.
- (21) The term "bonds held to maturity" as used in this Regulation means corporate bond certificates or other bond certificates that are intended to be held until maturity (limited to those that were acquired to be held until maturity).
- (22) The term "other securities" as used in this Regulation means securities other than trading securities, bonds held to maturity, shares in a subsidiary company, or shares in an affiliated company.
- (23) The term "treasury shares" as used in this Regulation means the shares held by a company submitting financial statements itself.
- (24) The term "shares in the company" as used in this Regulation means shares in the company submitting financial statements.
- (25) The term "share options in the company" as used in this Regulation means call options (meaning the rights to acquire the shares in the company that constitute the underlying assets thereof, by paying a certain amount of money) whose underlying assets are shares in the company.
- (26) The term "stock options" as used in this Regulation means share options in the company which a company submitting financial statements grants to its employees, etc. (meaning employees hired by the company submitting financial statements and officers of the company submitting financial statements; hereinafter the same applies in this paragraph) as remuneration (meaning what the company submitting financial statements pays or provides to its employees, etc. as consideration for their work, administration business, etc.).
- (27) The term "business combination" as used in this Regulation means integration of a certain enterprise or a business segment of a certain enterprise and another enterprise or a business segment of another enterprise into a single reporting unit.
- (28) The term "acquiring enterprise" as used in this Regulation means an enterprise which acquires (meaning gains control; the same applies in the following paragraph, paragraph (36), Article 8-17, paragraph (1), Article 8-19, paragraph (1) and Article 56) another enterprise or a business segment of another enterprise.
- (29) The term "acquired enterprise" as used in this Regulation means an

- enterprise which is to be acquired by an acquiring enterprise.
- (30) The term "surviving company" as used in this Regulation means a company surviving absorption-type merger prescribed in Article 749, paragraph (1) of the Companies Act and a business entity equivalent thereto.
- (31) The term "combiner" as used in this Regulation means an enterprise that take over another enterprise or a business segment of another enterprise and pays a consideration therefor.
- (32) The term "combinee" as used in this Regulation means an enterprise that is taken over by the combiner or an enterprise whose business segment is taken over by the combiner.
- (33) The term "combined enterprise" as used in this Regulation means an enterprise which is a single reporting unit integrated through business combination.
- (34) The term "constituent enterprises" as used in this Regulation means the enterprises concerned in a business combination.
- (35) The term "purchase method" as used in this Regulation means a method wherein the acquisition costs for the assets and liabilities taken over from a combinee are paid in cash or shares, etc. at the market value thereof as consideration.
- (36) The term "reverse acquisition" as used in this Regulation means, from among business combinations, those set forth below:
- (i) a business combination wherein an enterprise that disappears in an absorption-type merger (in cases of an entity other than a company, an equivalent thereto; the same applies hereinafter) will presumably survive and acquire the surviving company;
 - (ii) a business combination wherein a company splitting in an absorption-type split (meaning a company splitting in an absorption-type split prescribed in Article 758, item (i) of the Companies Act and a business entity equivalent thereto; the same applies in Article 8-18, paragraph (3), item (ii)) or the enterprise that made a contribution in kind is to acquire the company succeeding in an absorption-type split (meaning a company succeeding in an absorption-type split prescribed in Article 757 of that Act and a business entity equivalent thereto) or the enterprise that received the contribution in kind; and
 - (iii) a business combination wherein a wholly owned subsidiary company whose common stock is 100% owned by another company (a wholly-owned subsidiary company whose common stock is 100% owned by another company prescribed in Article 768, paragraph (1), item (i) of the Companies Act and a business entity equivalent thereto; the same applies in Article 8-18, paragraph (3), item (iii)) is to acquire the wholly-owning parent company whose common stock is 100% owned by another company (meaning a wholly-

owning parent company whose common stock is 100% owned by another company prescribed in Article 767 of that Act and a business entity equivalent thereto)".

- (37) The term "common control transaction, etc." as used in this Regulation means a business combination wherein all of the enterprises or businesses are ultimately controlled by the same shareholders before and after the business combination, and when the control is not temporary, as well as transactions wherein the enterprise which controls the business group (meaning a company submitting consolidated financial statements and its subsidiary companies; hereinafter the same applies in this paragraph) exchanges its shares in a subsidiary company with any of the subsidiary company's shareholders who are not the members of the business group.
- (38) The term "business divestiture" as used in this Regulation means the transfer of a certain enterprise's business segment to another enterprise (including a newly incorporated enterprise).
- (39) The term "divesting enterprise" as used in this Regulation means the enterprise that transfers its business segment in a business divestiture.
- (40) The term "divested enterprise" as used in this Regulation means the enterprise (including a newly incorporated enterprise) that take over a business segment from a divesting enterprise in a business divestiture.
- (41) The term "financial instruments" as used in this Regulation means financial assets (meaning monetary claims, securities, and claims arising from derivatives transactions (including equivalents thereof); the same applies in Article 8-6-2, paragraph (3)) and financial liabilities (meaning monetary debts and debts arising from derivatives transactions (including equivalents thereof); the same applies in that paragraph).
- (42) The term "asset retirement obligations" as used in this Regulation means legal obligations or the equivalent thereof with regard to the retirement of tangible fixed assets, which arise through the acquisition, construction, development, or ordinary use of tangible fixed assets.
- (43) The term "construction contract" as used in this Regulation means a contract wherein the basic specifications and work description for civil engineering, building, shipbuilding, the manufacture of machinery and equipment, or any other work, are based on instructions from the person who issued the work order.
- (44) The term "accounting policies" as used in this Regulation means the accounting principles and procedures adopted for the preparation of financial statements.
- (45) The term "presentation method" as used in this Regulation means the presentation method used for the preparation of financial statements.
- (46) The term "accounting estimates" as used in this Regulation means amounts

of assets, liabilities, revenues, expenses, etc. that is reasonably calculated based on the information available when preparing the financial statements if the amounts are uncertain.

- (47) The term a "change in accounting policies" as used in this Regulation means that an accounting policy that is generally accepted as fair and appropriate is changed to another accounting policy that is generally accepted as fair and appropriate.
- (48) The term "change in presentation method" as used in this Regulation means that 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.
- (49) The term a "change in accounting estimates" as used in this Regulation means a change in an accounting estimate that had been made for the preparation of financial statements for the previous business year or any prior fiscal year, based on new information that has become available.
- (50) The term "error" as used in this Regulation means an error caused by not using, or missing the information that was available when preparing the financial statements, regardless of whether or not it was done with intent to cause error.
- (51) The term "retrospective application" as used in this Regulation means 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 fiscal year.
- (52) The term "reclassification of financial statements" as used in this Regulation means that 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 and earlier.
- (53) The term "restatement" as used in this Regulation means that the errors in financial statements for the previous business year or any prior fiscal year are reflected in financial statements.
- (54) The term "retirement benefits" as used in this Regulation means retirement lump-sum payments and retirement pensions paid to employees, etc. (meaning employees hired by the company submitting financial statements and officers of the company submitting financial statements (limited to those covered by a retirement benefit plan); the same applies in the following paragraph, paragraph (56), and paragraph (58)) after their retirement.
- (55) The term "retirement benefit obligations" as used in this Regulation means liabilities, of which amount is calculated by combining the amount of retirement benefit of each employee (excluding those that have already been paid) estimated to be paid to each employee, etc. (including any person who has already retired from the relevant company; hereinafter the same applies in this

paragraph) that is the amount equivalent to those calculated based on the years of service of each employee, etc. until the balance sheet date (for an employee who has already retired until the date on which the employee retires the relevant company) by using the discount rate (meaning a rate specified by the company submitting financial statements based on the yields of the Japanese government bonds, government agency bond certificates, or any other high quality bonds by reflecting the period from the balance sheet date to the date on which retirement benefits are planned to be paid to each employee, etc.; the same applies in the following paragraph, paragraph (57), and Article 8-13, paragraph (1), item (vii)) as of the balance sheet date.

(56) The term "service cost" as used in this Regulation means the cost of which amount is calculated by combining the amount of retirement benefits of each employee, estimated to be paid to each employee, etc. that is the amount calculated based on the service time of each employee, etc. from the day on which the relevant fiscal year starts to the balance sheet date, by using the discount rate.

(57) The term "interest cost" as used in this Regulation means the cost equivalent to the interest calculated by using the discount rate on the retirement benefit obligations as of the start date of the current fiscal year.

(58) The term "pension assets" as used in this Regulation means specific assets which are accumulated for allocation to retirement benefits based on a contract, etc. between a company, etc. and a employee, etc. with regard to a specific retirement benefit plan that satisfies all of the following requirements:

(i) the assets may not be used for anything other than for the payment of retirement benefits;

(ii) the assets are legally separated from the company, etc. and the creditors of the company, etc.;

(iii) the assets may not be withdrawn, etc. for anything other than for the return of assets to the company, etc., cancellation by the company, etc., and payment of retirement benefits, except for the accumulated surplus assets; and

(iv) the assets may not be exchanged for assets of the company, etc.

(59) The term "expected return" as used in this Regulation means revenues that are reasonably expected to arise from investing pension assets.

(60) The term "actuarial gain/loss" as used in this Regulation means the difference between the expected return on pension assets and the actual investment results, the difference between the estimated value used in the actuarial calculation of retirement benefit obligations and the actual value, and the difference that arises as a result of a change in the estimated value, etc.

(61) The term "past service cost" as used in this Regulation means an increase or

- decrease in the retirement benefit obligations that arises as a result of adopting a retirement benefit plan or revising the levels of retirement benefits.
- (62) The term "unrecognized actuarial gain/loss" as used in this Regulation means an actuarial gain/loss that has not been recorded as an expense (including recording of a reduction in expenses or recording of a profit when the reduction exceeds the amount of expenses; the same applies hereinafter) as an item constituting the net income for the period or the net loss for the period.
- (63) The term "unrecognized past service cost" as used in this Regulation means a past service cost that has not been recorded as an expense as an item constituting the net income for the period or the net loss for the period.
- (64) The term "market participant" as used in this Regulation means a person who purchases and sells in a market where the number of transactions for assets or liabilities of which market value is to be calculated is largest in member and highest in frequency, a market in which the amount earned on sale of the assets can be maximized or a market in which the amount to be paid for the transfer of the liabilities can be minimized, who satisfies all of the following requirements:
- (i) each person is independent and not a related party;
 - (ii) a person has knowledge of the assets or liabilities and fully understands the assets or liabilities based on all available information;
 - (iii) a person has the ability to conduct transactions for the assets or liabilities; and
 - (iv) a person has the intention to voluntarily conduct transactions for the assets or liabilities.
- (65) The term "inputs to a market value measurement" as used in this Regulation means a basic numerical value or other information (including the quoted prices of the assets or liabilities) that is assumed to be used by market participants in calculating the market value of assets or liabilities.
- (66) The term "observable inputs to a market value measurement" as used in this Regulation means inputs to a market value measurement that are based on available market data (meaning information concerning actual events or transactions that is disclosed and other information).
- (67) The term "unobservable inputs to a market value measurement" as used in this Regulation means inputs to a market value measurement that are other than the observable inputs to a market value measurement that is based on the best available information.
- (68) The term "level in which inputs to a market value measurement are categorized" as used in this Regulation means the levels specified in the following items for the respective categories of inputs to a market value measurement set forth in the following items:
- (i) out of observable inputs to a market value measurement, quoted prices of

assets or liabilities of which market value being formed in an active market (meaning a market in which information on the prices of the assets or liabilities of which market value is continuously provided by the transactions of the assets or liabilities being conducted in sufficient number and frequency) to be calculated: level 1;

(ii) out of observable inputs to a market value measurement, inputs to a market value measurement that are other than the inputs to a market value measurement set forth in the preceding item: level 2; and

(iii) unobservable inputs to a market value measurement: level 3.

(69) The term "hedge accounting" as used in this Regulation means the accounting process for recognizing, within the same accounting period, the profit and loss pertaining to hedging instruments (meaning transactions aimed at diminishing the risk of losses from price fluctuations, interest-rate fluctuations, and exchange-rate fluctuations pertaining to assets (including those that are expected to definitely arise through future transactions; hereinafter the same applies in this paragraph), liabilities (including those that are expected to definitely arise through future transactions; hereinafter the same applies in this paragraph), or derivatives transactions, which are objectively recognized as diminishing the risk of the losses; hereinafter the same applies in this paragraph and Article 67, paragraph (1), item (ii)) and the profit and loss pertaining to hedged items (meaning the assets, liabilities, or derivatives transactions that are the subject of hedging instruments; the same applies in Article 8-8, paragraph (3) and Article 67, paragraph (1), item (ii)).

(Material Notes on Accounting Policies)

Article 8-2 With regard to accounting policies, the particulars that serve as the basis for preparation of financial statements and contribute to the understanding of investors and other users of financial statements must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars.

(Notes on Material Accounting Estimates)

Article 8-2-2 (1) Out of accounting estimates that had been made for the preparation of financial statements for the current fiscal year (including accounting estimates that had been made to state the particulars that must be set down in the notes pursuant to the provisions of this Regulation), if an accounting estimate that has the risk of exerting a significant influence on the financial statements for the fiscal year following the current fiscal year (hereinafter referred to as a "material accounting estimate" in this Article) is identified, the following particulars that contribute to the understanding of investors and other users of financial statements must be set down in the

notes:

- (i) items showing the material accounting estimate;
 - (ii) the amount recorded on financial statements for the current fiscal year for each of the items set forth in the preceding item; and
 - (iii) the method to calculate the amount set forth in the preceding item, major assumptions used to make the material accounting estimate, impact that the material accounting estimate exerts on financial statements for the fiscal year following the current fiscal year, and other information on the details of the material accounting estimate.
- (2) If the same contents are to be included in the particulars that must be set down in the notes pursuant to the provisions of this Regulation which are the particulars set forth in items (ii) and (iii) of the preceding paragraph, the particulars set forth in items (ii) and (iii) of the preceding paragraph may be omitted by making a statement to that effect.
- (3) If the same contents are to be included in consolidated financial statements for the particulars set forth in paragraph (1), item (iii), those particulars may be omitted by making a statement to that effect.
- (4) If a company submitting financial statements prepares consolidated financial statements, the method to calculate the amount set forth in paragraph (1), item (ii) may be stated in lieu of stating the the particulars set forth in item (iii) of that paragraph. In this case, if the same contents are to be included in the consolidated financial statements as the calculation method, the calculation method may be omitted by making a statement to that effect.

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

- Article 8-3 (1) If a change in accounting policies occasioned by revision or abolition of accounting standards or any other rules (hereinafter referred to as "accounting standards, etc.") or preparation of new accounting standards, etc. (referred to as "revision, etc. of accounting standards, etc." in the following Article) (limited to when the accounting standards, etc. do not provide for transitional measures concerning its retrospective application) is made, the following particulars must be set down in the notes; provided, however, that if the same contents are to be included in consolidated financial statements as the particulars set forth in items (iii) through (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 financial statements in the previous business year;
 - (iv) the effects on per-share information (meaning the per-share amount of net

- assets, per-share amount of net income for the period or amount of net loss for the period, and diluted per-share amount of net income for the period (meaning the diluted per-share amount of net income for the period prescribed in Article 95-5, paragraph (1)); the same applies hereinafter) pertaining to the previous business year; 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 the principle-based treatment pertaining to the retrospective application (meaning the reflection of the cumulative effects resulting from the retrospective application to all fiscal years prior to the previous business year in the amounts of assets, liabilities, and net assets at the beginning of the previous business year; the same applies hereinafter) is not practically possible, 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 consolidated financial statements for the particulars set forth in item (i), (e) through (g) and item (ii), (e) through (g), entries of those particulars may be omitted by making a statement to that effect:
- (i) if the cumulative effects resulting from retrospective application at the beginning of the current fiscal year may be calculated and the cumulative effects at the beginning of the previous business year 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 financial statements that may practically be calculated;
 - (d) the effects on per-share information pertaining to the current fiscal year that may practically be calculated;
 - (e) the cumulative effects on the amount of net assets at the beginning of the current fiscal year;
 - (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 at the beginning of the current fiscal year 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 financial statements that may

- practically be calculated;
 - (d) the effects on per-share information that may practically be calculated;
 - (e) a statement to the effect that the cumulative effects resulting from the retrospective application at the beginning of the current fiscal year may practically not be 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 consolidated financial statements as the particulars set forth in items (iii) and (iv), entries of 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 fiscal years following the current fiscal year, a statement to that effect and the effects (if the effects are unknown or are difficult to reasonably estimate it, a statement to that effect);
 - (v) the effects on major account titles of financial statements that may practically be to calculated; and
 - (vi) the effects on per-share information that may practically be calculated.
- (4) Notwithstanding the provisions of the preceding three paragraphs, if the particulars that must be set down in the notes pursuant to these provisions are not material, notes may be omitted.

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

- Article 8-3-2 (1) If a change in accounting policies is made based on justifiable grounds other than a revision, etc. of accounting standards, etc., the following particulars must be set down in the notes; provided, however, that if the same contents are to be included in consolidated financial statements as the particulars set forth in items (iii) through (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 in accounting policies is made;
 - (iii) the effects on major account titles of financial statements in the previous business year;
 - (iv) the effects on per-share information pertaining to the previous business year; 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 the principle-based treatment pertaining to the retrospective application is practically not 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 consolidated financial statements as 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) if the cumulative effects resulting from the retrospective application at the beginning of the current fiscal year may practically be calculated and the cumulative effects at the beginning of the previous business year may practically not be calculated: the following particulars:
 - (a) the details of the change in accounting policies;
 - (b) the justifiable grounds on which the change in accounting policies is made;
 - (c) the effects on major account titles of financial statements that may practically be calculated;
 - (d) the effects on per-share information pertaining to the current fiscal year that may practically be calculated;
 - (e) the cumulative effects on the amount of net assets at the beginning of the current fiscal year;
 - (f) the reason that the principle-based treatment pertaining to 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 at the beginning of the current fiscal year may practically not be calculated: the following particulars:
 - (a) the details of the change in accounting policies;
 - (b) the justifiable grounds on which the change in accounting policies is made;
 - (c) the effects on major account titles of financial statements that may practically be calculated;
 - (d) the effects on per-share information that may practically be calculated;

- (e) a statement to the effect that the cumulative effects resulting from the retrospective application at the beginning of the current fiscal year may practically not be 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) Notwithstanding the provisions of the preceding two paragraphs, if the particulars that must be set down in the notes pursuant to these provisions are not material, notes may be omitted.

(Notes on Unapplied Accounting Standards)

Article 8-3-3 (1) If any of the accounting standards, etc. that have already been published but not been applied, the following particulars must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars:

- (i) the name and outline of the accounting standards, etc.;
 - (ii) the scheduled application date of the accounting standards, etc. (if the accounting standards, etc. are to be applied prior to the date on which the application should start, the scheduled application date); and
 - (iii) particulars concerning how the accounting standards, etc. affect the financial statements.
- (2) The particulars set forth in item (iii) of the preceding paragraph are not required to be included when the accounting standards, etc. are the accounting standards, etc. that exclusively specify the presentation methods and particulars to be stated in notes.
- (3) The particulars set forth in the items of paragraph (1) are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Changes in Presentation Methods)

Article 8-3-4 (1) If the presentation method is changed, the following particulars must be set down in the notes:

- (i) the details of the reclassification of financial statements;
 - (ii) the reason that the reclassification of financial statements was implemented; and
 - (iii) the amount pertaining to major account titles of financial statements in the previous business year.
- (2) Notwithstanding the provisions of the preceding paragraph, if reclassification of financial statements may practically not be implemented, the reason therefor must be set down in the notes.

- (3) Notwithstanding the provisions of the preceding two paragraphs, if the particulars that must be set down in the notes pursuant to these provisions are not material, notes may be omitted.
- (4) If the same contents are to be included in consolidated financial statements as the particulars set forth in paragraph (1) (limited to the part pertaining to items (ii) and (iii)) and paragraph (2), those particulars may be omitted by making a statement to that effect.

(Notes on Changes in Accounting Estimates)

Article 8-3-5 If a change is made in accounting estimates, the following particulars must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars:

- (i) the details of the change in accounting estimates;
- (ii) the effects of the change in accounting estimates on financial statements; and
- (iii) the particulars specified in (a) or (b) for the respective categories of cases set forth in (a) or (b):
 - (a) if the change in accounting estimates may possibly affect the financial statements for fiscal years following the current fiscal year and the effects may be reasonably estimated: the effects; and
 - (b) if the change in accounting estimates has the possibility of affecting the financial statements for fiscal years following the current fiscal year and the effects are difficult to reasonably estimate: that fact.

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

Article 8-3-6 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 immaterial particulars:

- (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 of the change in accounting policies on financial statements;
- (iv) the particulars specified in (a) or (b) for the respective categories of cases set forth in (a) or (b):
 - (a) if the change in accounting policies may affect the financial statements for fiscal years following the current fiscal year and the effects may be reasonably estimated: the effects; and
 - (b) if the change in accounting policies may affect the financial statements for fiscal years following the current fiscal year and it is difficult to reasonably estimate the effects: statement to that effect.

(Notes on Restatement)

Article 8-3-7 If a restatement was made, the following particulars must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars:

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

(Notes on Material Post-Balance Sheet Events)

Article 8-4 If any events that will exert a significant influence on the financial position, financial performance and cash flow situation of a company submitting financial statements in or after the following fiscal year occur after the balance sheet date (hereinafter referred to as "material post-balance sheet events"), those events must be set down in the notes.

(Notes on Additional Information)

Article 8-5 In addition to the notes particularly specified under this Regulation, if there are any particulars that are found to be necessary for interested persons to conduct adequate assessment of the financial position, financial performances and cash flow situation of the company, those particulars must be set down in the notes.

(Notes on Lease Transactions)

Article 8-6 (1) With regard to finance lease transactions (meaning lease transactions under a lease contract that may not be cancelled before the the lease period under the lease contract, or lease transactions equivalent thereto (referred to as "non-cancelable lease transactions" in the following paragraph) expires, wherein the lessee of the property being used under the lease contract (hereinafter referred to as the "leased property") is able to materially enjoy an economic benefit from the leased property, and, also, that the lessee materially bears the expenses, etc. arising from the use of the leased property; the same applies hereinafter), 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 notes may be omitted for immaterial particulars:

- (i) if the company submitting financial statements is the lessee of the leased

- property:
- (a) the components of the leased assets as of the end of the current fiscal year; and
 - (b) the depreciation method of the leased assets;
- (ii) if the company submitting financial statements is the lessor of the leased property:
- (a) the amount of the lease payment receivables (meaning the right to receive future lease payments; hereinafter the same applies in this item) and the amount of the estimated residual value (meaning the residual value that is estimated when the lease term expires, which is not guaranteed by the lessee nor a third party), and the amount equivalent to interest income on lease investment assets as of the end of the current fiscal year; and
 - (b) for the amount of lease receivables and the receivables for lease receivables on lease investment assets as of the end of the current fiscal year, the amount that is to be collected in each year up to five years from the balance sheet date and the amount that is to be collected after five years from the balance sheet date.
- (2) With regard to operating lease transactions (meaning lease transactions other than finance lease transactions) that are non-cancelable lease transactions as of the end of the current fiscal year, the amounts of future lease payments in the non-cancelable lease transactions must be set down in the notes as the amount of lease term shorter than one year and as the amount of other lease term respectively; provided, however, that notes may be omitted for immaterial particulars.
- (3) For sublease transactions (meaning transactions where one party rents a property from the owner of the leased property, and further leases out the property to a third party under almost the same conditions; hereinafter the same applies in this paragraph) wherein both of the lease transactions that a company submitting financial statements carries out as the lessee and the lease transactions the company submitting financial statements carries out as the lessor fall under the category of finance lease transactions, if the company submitting financial statements has recorded, on the balance sheet, lease receivables or lease investment assets, or lease obligations under the sublease transactions at the amounts before the amount equivalent to interest expenses are deducted, the amounts of the lease receivables or lease investment assets, or lease obligations must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars.
- (4) The particulars prescribed in the preceding paragraphs are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Financial Instruments)

Article 8-6-2 (1) With regard to financial instruments, the following particulars must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars:

- (i) the following particulars concerning the status of the financial instruments:
 - (a) the policy for dealing with financial instruments;
 - (b) description of financial instruments and the risks associated with the financial instruments; and
 - (c) the risk management system for financial instruments;
- (ii) the following particulars concerning the market value of the financial instruments:
 - (a) the amounts recorded on the balance sheet for each of the account titles on the balance sheet as of the balance sheet date;
 - (b) the market value for each of the account titles on the balance sheet as of the balance sheet date;
 - (c) the differences between the amounts recorded on the balance sheet for each of the account titles on the balance sheet as of the balance sheet date and the market value for each of the account titles on the balance sheet as of the balance sheet date;
 - (d) explanations on the particulars set forth in (b) through(c);
- (iii) the following particulars concerning the breakdown of classification of the market value of financial instruments (limited to financial instruments that are set down in the notes pursuant to the provisions of the preceding item; hereinafter the same applies in this item) which are to be classified according to the levels of the inputs to a market value measurement that have a significant influence on the calculation of the market value:
 - (a) in the case of financial instruments recorded on a balance sheet at market value, which must be classified into appropriate items; particulars set forth in 1. through 3. for each item:
 - 1. the total amount of the market value of financial instruments classified into level 1 as of the balance sheet date;
 - 2. the total amount of the market value of financial instruments classified into level 2 as of the balance sheet date; and
 - 3. the total amount of the market value of financial instruments classified into level 3 as of the balance sheet date;
 - (b) in the case of financial instruments other than financial instruments recorded on a balance sheet at market value, which are to be classified into appropriate items; particulars set forth in 1. through 3. for each item:
 - 1. the total amount of the market value of financial instruments classified into level 1 as of the balance sheet date;
 - 2. the total amount of the market value of financial instruments classified

- into level 2 as of the balance sheet date; and
3. the total amount of the market value of financial instruments classified into level 3 as of the balance sheet date;
- (c) in the case of financial instruments set down in the notes pursuant to the provisions of (a), 2. or 3. or (b), 2. or 3., particulars set forth in 1. and 2.:
1. explanation of valuation techniques used for the calculation of market value and inputs to a market value measurement; and
 2. if valuation techniques used for the calculation of market value or the application thereof are changed, a statement to that effect and reasons therefor;
- (d) in the case of financial instruments that are set down in the notes pursuant to the provisions of (a), 3., particulars set forth in following 1. through 5.:
1. quantitative information on material unobservable inputs to a market value measurement that were used for the calculation of market value;
 2. a reconciliation of the financial instruments from the beginning balance to the ending balance thereof;
 3. explanation of the valuation process of the market value of financial instruments classified into level 3;
 4. explanation of an impact on relevant market value when market value as of the balance sheet date remarkably fluctuates due to the change of material unobservable inputs to a market value measurement that was used for the calculation of market value; and
 5. if there is a correlation between the material unobservable inputs to a market value measurement that was used for the calculation of market value and other material unobservable inputs to a market value measurement, explanation of the details of the correlation and its impact on market value.
- (2) Notwithstanding the provisions of the main clause of the preceding paragraph, the particulars set forth in item (ii) of that paragraph are not required to be included for the shares without a market price, capital investments, and other financial instruments equivalent thereto. In this case, a statement to that effect, as well as the outline of the financial instruments and the amounts recorded on the balance sheet, must be set down in the notes.
- (3) For a company submitting financial statements whose financial assets and financial liabilities account for the most of the total amount of assets and the total amount of liabilities and which are also material in light of the business purposes of the company, if there are material rate fluctuation in the values of the financial assets and financial liabilities in response to fluctuations in the numerical values of the indicators that cause major market risks (meaning risks associated with fluctuations in money rates, currency values, quotations

on a financial instruments market (meaning a financial instruments market as prescribed in Article 2, paragraph (14) of the Act; hereinafter the same applies in this paragraph) or any other indicators; hereinafter the same applies in this paragraph and the following paragraph) for the financial assets and financial liabilities, the particulars specified in the following items for the respective categories of financial instruments set forth in those items must be set down in the notes:

- (i) financial instruments for which quantitative analyses on market risks are used for the risk management; the quantitative information based on the analyses and information related thereto; or
 - (ii) financial instruments for which quantitative analyses on market risks are not used for the risk management: the particulars set forth in (a) and (b) below:
 - (a) the fact that quantitative analysis on market risks is not used in their risk management; and
 - (b) increases and decreases in market value that have been calculated by assuming a reasonable range of fluctuation in the numerical values of money rates, currency values, quotations on financial instruments markets and any other indicators that serve as the factors of market risks, and information related thereto.
- (4) If the particulars set forth in item (ii), (b) of the preceding paragraph do not appropriately reflect the actual market risks associated with the company submitting financial statements, a statement to that effect and the reason therefor must be set down in the notes.
- (5) With regard to monetary claims (excluding those held for earning a profit from fluctuations in the market value) and securities (excluding trading securities) with maturity periods, the total amount of the claims or securities to be redeemed within a certain period must be set down in the notes.
- (6) With regard to corporate bonds, long-term borrowings, lease obligations, and any other debts on which interest must be paid, the total amount of the debts to be repaid within a certain period must be set down in the notes; provided, however, that if the amount is included in the schedule of corporate bonds prescribed in Article 121, paragraph (1), item (iii) or in the schedule of borrowings, etc. prescribed in item (iv) of that paragraph, a statement to that effect may be set down in the notes in lieu of stating the amount.
- (7) The particulars specified in the preceding paragraphs are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Securities)

Article 8-7 (1) In addition to the particulars specified in the preceding Article

(excluding paragraph (7)), with regard to securities, the particulars specified in the following items for the respective categories of securities set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars:

- (i) trading securities: the valuation difference included in the profit or loss for the relevant fiscal year (with regard to regulated securities prescribed in Article 23, item (ii) of the Cabinet Office Order on Disclosure of Information on Regulated Securities (Ministry of Finance Order No. 22 of 1993) for which a method whereby the valuation amount as of the end of an accounting period is included as the beginning book value of those securities for the following accounting period is used, the valuation difference included in the profit or loss for the latest accounting period);
- (ii) bonds held to maturity: the following particulars by category, in which bonds have been classified into those whose market value as of the balance sheet date exceeds the amount recorded on the balance sheet as of the balance sheet date and those whose market value does not exceed the amount recorded on the balance sheet:
 - (a) the amount recorded on the balance sheet as of the balance sheet date;
 - (b) the market value as of the balance sheet date; and
 - (c) the difference between the amount recorded on the balance sheet as of the balance sheet date and the market value as of the balance sheet date;
- (iii) shares in a subsidiary company (excluding shares that fall under trading securities) and shares in an affiliated company (excluding shares that fall under trading securities):
 - (a) the amount recorded on the balance sheet as of the balance sheet date;
 - (b) the market value as of the balance sheet date; and
 - (c) the difference between the amount recorded on the balance sheet as of the balance sheet date and the market value as of the balance sheet date;
- (iv) other securities: the following particulars by category, in which each class of securities (meaning shares, bonds and any other securities; the same applies in item (vi)) has been classified into those for which the amount recorded on the balance sheet as of the balance sheet date exceeds the acquisition cost and those for which the amount does not exceed the acquisition cost:
 - (a) the amount recorded on the balance sheet as of the balance sheet date;
 - (b) the acquisition cost; and
 - (c) the difference between the amount recorded on the balance sheet as of the balance sheet date and the acquisition cost;
- (v) bonds held to maturity that were sold off during the relevant fiscal year: the cost of the bonds sold, the sale price, the profit or loss on the sale, and the reason for the sale, for each class of bonds; and

- (vi) other securities that were sold off during the relevant fiscal year: the sale price, the total amount of profit on the sale, and the total amount of loss on the sale, for each class of securities.
- (2) If the purpose of holding trading securities, bonds held to maturity, shares in a subsidiary company, shares in an affiliated company, or other securities has changed during the relevant fiscal year, a statement to that effect, the reason for the change (limited if the purpose of holding bonds held to maturity has changed), and details of the impact of the change on the financial statements must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars.
- (3) If an impairment loss on securities during the relevant fiscal year has been recognized, a statement to that effect and the amount of the impairment losses must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars.
- (4) The particulars specified in the preceding paragraphs (excluding paragraph (1), item (iii)) are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Derivatives Transactions)

- Article 8-8 (1) In addition to the particulars prescribed in Article 8-6-2 (excluding paragraph (7)), with regard to derivatives transactions, the particulars specified in the following items for the respective categories of transactions set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars:
- (i) derivatives transactions to which hedge accounting is not applied: the following particulars for each type of subject matter of the transactions (meaning currencies, money rates, shares, bonds, commodities, and any other subject matter of those transactions; the same applies in the following item):
 - (a) the contract amount as of the balance sheet date or the principal equivalent amount specified in the contract; and
 - (b) the market value and valuation gain or loss as of the balance sheet date;
 - (ii) derivatives transactions to which hedge accounting is applied: the following particulars for each type of subject matter of the transactions:
 - (a) the contract amount as of the balance sheet date or the principal equivalent amount specified in the contract; and
 - (b) the market value as of the balance sheet date.
- (2) The particulars prescribed in item (i) of the preceding paragraph to be recorded must be classified into transaction types (meaning futures Transactions, options transactions, forward transactions, swap transactions, and any other derivatives transactions; the same applies in the following paragraph), into market transactions and transactions other than market

transactions, into transactions on purchase contracts and those on sale contracts, and into the period from the balance sheet date to the settlement date of the transaction or to the time of termination of the contract, and other particulars.

- (3) The particulars prescribed in paragraph (1), item (ii) to be included must be classified into the method of hedge accounting, the type of transaction, the hedged items, and other particulars.
- (4) The particulars prescribed in paragraph (1) are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Profit or Loss under Equity Method)

Article 8-9 For a company that does not prepare consolidated financial statements, 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, with regard to the particulars specified in item (i), any affiliated company that is not material in terms of its profit or loss 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 when 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 to be disclosed (meaning a special purpose company under Article 8, paragraph (7) (limited to one that is presumed not to fall under a subsidiary company of a transferor company, etc. pursuant to the provisions of that paragraph); hereinafter the same applies in this item): an outline of the special purpose company subject to disclosure, a general description of transactions with the special purpose company subject to disclosure, the transaction amounts, and any other material particulars.

(Notes on Transactions with Related Parties)

Article 8-10 (1) If a company submitting financial statements carries out transactions with any related party (the transactions include any transactions conducted by the related party with the company submitting financial statements for the benefit of a third party and any transactions carried out between the company submitting financial statements and a third party wherein the related party exerts a significant influence on the company submitting financial statements with regard to the transactions), the following particulars must be set down in the notes for each related party, with regard to any of the material transactions; provided, however, that this does not apply if the company submitting financial statements prepares consolidated financial

statements:

- (i) if the related party is a company, etc., its name, location, and stated capital or capital contribution, a description of its business, and the percentage of voting rights in the related party held by the company submitting financial statements, or the percentage of voting rights in the company submitting financial statements held by the related party;
 - (ii) if the related party is an individual, the related party's name and occupation, and the percentage of voting rights in the company submitting financial statements held by the related party;
 - (iii) the relationship between the company submitting financial statements and the related party;
 - (iv) the details of the transactions;
 - (v) the transaction amount by transaction type;
 - (vi) conditions of the transactions and the policy for determining the conditions of the transactions;
 - (vii) the ending balances of the respective major account titles pertaining to claims and obligations arising from transactions;
 - (viii) if the conditions of the transactions have changed, a statement to that effect, the details of the change, and the details of the impact of the change on the financial statements;
 - (ix) if claims against the related party are classified as claims with a possibility of default (meaning claims against a debtor who has not failed in business yet, but already has or is very likely to have serious problems in repaying their debts) or as bankruptcy or reorganization claims, etc. (meaning bankruptcy claims, rehabilitation claims, reorganization claims, and other equivalent claims; the same applies hereinafter), the following particulars:
 - (a) the balance in allowance for doubtful accounts as of the end of the current fiscal year;
 - (b) the provision for allowance for doubtful accounts, etc. recorded for the current fiscal year; and
 - (c) the bad debt losses, etc. (including any bad debt losses incurred if the claims have been classified as general claims (meaning claims against debtors who do not have serious problems in their financial performance)); and
 - (x) if any allowance other than the allowance for doubtful accounts has been established for transactions with the related party, particulars as prescribed in the preceding items regarding the allowances that are found appropriate to be set down in the notes.
- (2) Notwithstanding the provisions of the main clause of the preceding paragraph, the particulars set forth in items (ix) and (x) of that paragraph may be included

in the total amount for each type of related party set forth in the items of Article 8, paragraph (17).

- (3) With regard to any of the transactions with a related party specified in the following items, the notes prescribed in paragraph (1) are not required:
- (i) transactions based on general competitive bidding, receipt of interest on deposits and dividends, and other transactions whose conditions are clearly similar to those of general transactions in light of the nature of the transactions; and
 - (ii) payment of remuneration, bonuses, and severance packages to officers.
- (4) The particulars set forth in paragraph (1) must be set down in the notes by using Form No. 1.

(Notes on Parent Company or Any Material Affiliated Company)

Article 8-10-2 (1) If any of the entities set forth in the following items exist for a company submitting financial statements, the particulars specified in the items must be set down in the notes; provided, however, that this does not apply if the company submitting financial statements prepares consolidated financial statements:

- (i) a parent company: the name of the parent company and, if the securities issued by the parent company are listed on a financial instruments exchange (meaning a financial instruments exchange as prescribed in Article 2, paragraph (16) of the Act, including those established outside Japan which is of the same nature; hereinafter the same applies in this item), a statement to that effect and the name of the financial instruments exchange, and if the securities issued by the parent company are not listed on a financial instruments exchange, a statement to that effect; and
 - (ii) a material affiliated company: the name of the material affiliated company, and the amount of the following items on its balance sheet and profit and loss statement, on which the amount of investment returns or investment losses has been calculated, when the equity method is applied:
 - (a) balance sheet items (meaning total current assets, total fixed assets, total current liabilities, total fixed liabilities, total net assets, and any other material items); and
 - (b) profit and loss statement items (meaning net sales (including revenue from services; the same applies hereinafter), 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 any other material items).
- (2) The amounts of the items set forth in item (ii), (a) and (b) of the preceding paragraph may, notwithstanding the provisions of that paragraph, be included by using the methods set forth in the following items; in this case, a statement

to that effect must be made:

- (i) the method to record the total amount including the items of the material affiliated companies; or
- (ii) the method to record the total amount including the items of the affiliated companies on which the amount of investment returns or investment losses has been calculated, when the equity method is applied.

(The Use of Tax Effect Accounting)

Article 8-11 With regard to corporate taxes and any other taxes that are imposed on the amount of profits as the tax base (hereinafter referred to as "corporate tax, etc."), financial statements must be prepared by using tax effect accounting (meaning an accounting process which, when the the amount of assets and liabilities recorded on the balance sheet and the amount of assets and liabilities calculated based on the taxable income is different, reasonably matches the amount of net income for the period before corporate tax, etc. is deducted with the corporate tax amount, etc. through an appropriate inter-period allocation of the corporate tax amount, etc. pertaining to the differences; the same applies hereinafter).

(Notes on Tax Effect Accounting)

Article 8-12 (1) When tax effect accounting is used pursuant to the provisions of the preceding Article, the particulars set forth in the following items must be set down in the notes:

- (i) the details of the major causes of deferred tax assets that arise (meaning the amount recorded as assets by using tax effect accounting; the same applies hereinafter) and deferred tax liabilities (meaning the amount recorded as liabilities by using tax effect accounting; the same applies hereinafter);
 - (ii) if there is a difference between the tax rate used for calculating the corporate tax, etc. for the relevant fiscal year (hereinafter referred to as the "normal effective statutory tax rate" in this Article) and the corporate tax rate, etc. (including deferred corporate tax, etc. recorded by using tax effect accounting) to the net income before corporate tax, etc. is deducted for the period (hereinafter referred to as the "corporate tax rate, etc. after the use of tax effect accounting" in this Article), the details of the causes of the difference, by major item;
 - (iii) if the amount of deferred tax assets and the amount of deferred tax liabilities have been rectified due to a change in the corporate tax rate, etc., a statement to that effect and the rectified amounts; and
 - (iv) if the corporate tax rate, etc. has changed after the closing date, the details and the impact thereof.
- (2) If any amount has been deducted from deferred tax assets in calculating the

deferred tax assets (hereinafter referred to as the "valuation allowance" in this Article), the particulars set forth in the following items must be set down in the notes in addition to the particulars set forth in item (i) of the preceding paragraph.

(i) the valuation allowance; and

(ii) if a material change in the valuation allowance occurs, the details of the major change.

(3) If losses carried forward (meaning net operating loss (meaning the excess amount of loss in the case where deductible expenses for a fiscal year exceed gross profits for the fiscal year, when calculating the amount of income for each fiscal year under the provisions of laws and regulations pertaining to corporate tax, etc.) that can be carried forward up to the deadline until which carryover is permitted under the provisions of laws and regulations pertaining to corporation tax, etc. (referred to as the "deadline for carryover" in item (i)); hereinafter the same applies in this paragraph) are included in the particulars set forth in paragraph (1), item (i) and the losses carried forward are material, the particulars set forth in the following items must also be set down in the notes:

(i) the following particulars pertaining to the losses carried forward for each deadline for carryover:

(a) the amount obtained by multiplying the losses carried forward by the normal effective statutory tax rate;

(b) the valuation allowance pertaining to the losses carried forward;

(c) the amount of deferred tax assets pertaining to the losses carried forward; and

(ii) if material deferred tax assets pertaining to the losses carried forward are recorded, the major reason for determining that the deferred tax assets can be recovered.

(4) The particulars specified in paragraph (2), item (ii) and the items of the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(5) With regard to the particulars set forth in paragraph (1), item (ii), the notes may be omitted if the difference between the normal effective statutory tax rate and the corporate tax rate, etc. after the use of tax effect accounting is not more than five percent of the normal effective statutory tax rate.

(Notes on Retirement Benefits Under Defined-Benefit Plan)

Article 8-13 (1) If a defined-benefit plan (meaning a retirement benefit plan other than a defined-contribution plan (meaning a retirement benefit plan whereby a company, etc. accumulates certain premiums outside the company, etc. and bears no obligation to contribute any additional funds for retirement

benefits other than the premiums; the same applies in paragraph (1) of the following Article); the same applies in item (i) and Article 8-13-3, paragraph (1)) is adopted for retirement benefits, the following particulars must be set down in the notes:

- (i) an outline of the defined-benefit plan;
- (ii) a reconciliation of retirement benefit obligations, including the beginning balance and the ending balance of the following items:
 - (a) the service costs;
 - (b) the interest cost;
 - (c) the amount of the actuarial gain/loss that arose;
 - (d) the amount of retirement benefits paid;
 - (e) the amount of the past service costs that arose; and
 - (f) others;
- (iii) a reconciliation of pension assets, including the beginning balance and the ending balance of the following items:
 - (a) the expected returns;
 - (b) the amount of the actuarial gain/loss that arose;
 - (c) the amount of contribution made by the company, etc. which is the employer;
 - (d) the amount of retirement benefits paid; and
 - (e) others;
- (iv) a reconciliation including the ending balances of retirement benefit obligations and pension assets and the retirement benefit reserves and prepaid pension cost of the following items recorded on the balance sheet:
 - (a) the unrecognized actuarial gain/loss;
 - (b) the unrecognized past service costs; and
 - (c) others;
- (v) the amounts of the retirement benefit costs and the following itemized items:
 - (a) the service costs;
 - (b) the interest cost;
 - (c) the expected returns;
 - (d) the amount of the actuarial gain/loss recorded as an expense;
 - (e) the amount of the past service cost recorded as an expense; and
 - (f) others;
- (vi) the following particulars concerning pension assets:
 - (a) the major components of pension assets (with regard to a corporate pension plan (meaning a plan whereby a company, etc. pays retirement benefits using assets accumulated outside the company, etc. as the resource) for which a retirement benefit trust (meaning a trust for the retirement benefits) has been established, if the ratio of the amount of

trust property pertaining to the retirement benefit trust to the total amount of pension assets is material, the plan includes the proportion or amount); and

- (b) the method to establish the long-term expected rate of return;
 - (vii) the following particulars concerning the actuarial calculation:
 - (a) the discount rate;
 - (b) the long-term expected rate of return; and
 - (c) others; and
 - (viii) any other particulars.
- (2) Items categorized as those set forth in item (ii), (f), item (iii), (e), and item (v), (f) of the preceding paragraph must be recorded with a name that indicates the item, unless its amount is found to be small.
- (3) The particulars specified in paragraph (1) are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Retirement Benefits Under a Defined-Contribution Plan)

Article 8-13-2 (1) If a defined-contribution plan is adopted for retirement benefits, the following particulars must be set down in the notes:

- (i) an outline of the defined-contribution plan;
 - (ii) the amount of retirement benefit costs pertaining to the defined-contribution plan; and
 - (iii) any other particulars.
- (2) The particulars specified in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Retirement Benefits Under a Multi-Employer Plan)

Article 8-13-3 (1) Notwithstanding the provisions of Article 8-13, if a defined-benefit plan established by multiple companies, etc. which are employers (hereinafter referred to as a "multi-employer plan" in this paragraph) is adopted for retirement benefits, the particulars specified in the following items must be set down in the notes according to the categories of cases set forth in those items :

- (i) if the amount of pension assets of the company submitting financial statements may be reasonably calculated: an outline of the multi-employer plan and the particulars set forth in Article 8-13, paragraph (1), items (ii) through (viii); and
- (ii) if the amount of pension assets of the company submitting financial statements may not be reasonably calculated:
 - (a) an outline of the multi-employer plan;

- (b) the amount of retirement benefit costs pertaining to the multi-employer plan;
 - (c) the latest amount of pension assets accumulated under the multi-employer plan; and
 - (d) the ratio of the premium of the multiple employer plan, the number of subscribers, or the gross pay of the company submitting financial statements.
- (2) The particulars that must be set down in the notes pursuant to the provisions of item (i) of the preceding paragraph may be included in the notes set forth in the items of Article 8-13, paragraph (1). In this case, a statement to that effect must be made.
- (3) The particulars specified in the preceding two paragraphs are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Granting or Issuance of Stock Options, Share Options in Company, or Shares in Company)

- Article 8-14 (1) If a company submitting financial statements grants stock options or share options in the company or issues shares in the company, the following particulars must be set down in the notes; provided, however, that this does not apply if it is otherwise provided for:
- (i) if the services have been provided, the amount recorded as expenses for the relevant fiscal year and the account title thereof;
 - (ii) if goods have been acquired, the amount of assets transaction or amount of transaction expenses recorded first, and the account title thereof; and
 - (iii) if unexercised stock options have been forfeited, the amount recorded as profit.
- (2) The particulars set forth in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Stock Options)

- Article 8-15 (1) In addition to the provisions of the preceding Article, the following particulars must be set down in the notes as the details of the stock options, the volume of stock option activity, and changes therein:
- (i) the number of persons who are eligible for stock options, by category, such as officers and workers;
 - (ii) the number of stock options by share class:
 - (a) the number of stock options granted;
 - (b) the number of forfeitures of unvested stock options in the current fiscal year;

- (c) the number of vested stock options in the current fiscal year;
 - (d) the number of unvested stock options as of the end of the previous business year and as of the end of the current fiscal year;
 - (e) the number of stock options exercised in the current fiscal year;
 - (f) the number of forfeitures of unexercised stock options in the current fiscal year; and
 - (g) the number of vested stock options not being exercised as of the end of the previous business year and as of the end of the current fiscal year;
- (iii) the grant date;
 - (iv) vesting conditions (if there are no vesting conditions, a statement to that effect);
 - (v) the required years of service (if there is no required years of service, a statement to that effect);
 - (vi) the exercise period;
 - (vii) the exercise price;
 - (viii) the fair unit value as of the grant date; and
 - (ix) the average stock price when the stock options were exercised during the current fiscal year.
- (2) The notes referred to in the preceding paragraph must be stated in either of the following ways:
- (i) the method to state the notes on 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, 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 classification of persons eligible to grants thereof, the details of their vesting conditions, the required years of service, and the exercise periods are not almost similar thereto;
 - (ii) stock options granted before a public offering of shares, and stock options granted after a public offering of shares; and
 - (iii) stock options of which methods to set the exercise prices are very different.
- (4) With regard to stock options granted during the current fiscal year and stock options whose fair unit value has changed due to changes in conditions during the current fiscal year, the calculation technique used as the method for estimating the fair unit value and the main basic values used along with the method to estimate the values must be included; provided, however, that the calculation technique and the method to estimate the main basic values used may be stated collectively for stock options that are the same.
- (5) The method to estimate the number of stock options forfeited due to non-achievement of working conditions or performance conditions must be included

as the method to estimate the number of stock options vested.

- (6) If an unlisted enterprise has granted stock options, it must include the valuation method of the shares in the company on which the calculation of the fair unit value is based, as the method to estimate the fair unit value.
- (7) If a calculation has been performed based on the per-unit intrinsic value (meaning the per-unit value assuming the exercise of stock options, which is the difference between the amount at which the shares in the company that constitute the underlying assets of the stock options are valued at that time and the exercise price; hereinafter the same applies in this paragraph) of the stock options, the total amount of the intrinsic value as of the end of the fiscal year, and the total amount of the intrinsic value as of the exercise dates of the stock options that were exercised during the relevant fiscal year must be set down in the notes.
- (8) If the particulars set down in the notes as the details of stock options have been changed as the result of the conditions of the stock options that had been changed, the details of the change must be set down in the notes. If the fair unit value has not been reviewed because the fair unit value of the stock options on the date on which the conditions were changed was lower than the fair unit value on the grant date, a statement to that effect must be set down in the notes.
- (9) The particulars specified in paragraph (1) through the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Transactions in Which Consideration Given for Share Options in Company or Shares in Company)

- Article 8-16 (1) In addition to what is provided for in Article 8-14, if share options in the company have been granted or shares in the company have been issued as the consideration for services provided or goods acquired, any particulars set forth in the items of paragraph (1) of the preceding Article which are relevant must be included as prescribed in that Article. In this case, the details of the service provided or the goods acquired, and, if the consideration for the service or the acquisition price of the goods was calculated based on the fair unit value of the service or goods, a statement to that effect must be set down in the notes.
- (2) If the granting of share options in the company or the issuance of shares in the company is not of the nature of consideration, a statement to that effect and the grounds for determining that it is not of the nature of consideration must be included.
 - (3) The particulars specified in the preceding two paragraphs are not required to be included when a company submitting financial statements prepares

consolidated financial statements.

(Notes to Be Stated In the Case of Business Combination Through Which a Company is Acquired)

Article 8-17 (1) If a business combination through which another enterprise or a business segment of another enterprise has been acquired during the relevant fiscal year (excluding the cases prescribed in paragraph (1) of the following Article and the main clause of Article 8-19, paragraph (1)), the following particulars must be set down in the notes:

- (i) the outline of the business combination;
- (ii) the period of performance of the acquired enterprise or the acquired business included in the financial statements;
- (iii) the acquisition costs of the acquired enterprise or the acquired business, and the breakdown by type of consideration;
- (iv) if shares have been issued as the consideration for acquisition, the exchange rate and the calculation method thereof, and the number of shares issued or to be issued by class of shares;
- (v) the details and amount of major acquisition-related cost;
- (vi) the amount of goodwill that occurred, the cause for the occurrence, the amortization method, and the amortization period, or the amount of negative goodwill and the cause for the occurrence;
- (vii) the amount of assets acquired and liabilities assumed on the date of the business combination, and the major components thereof;
- (viii) the details of contingent consideration (meaning consideration for the acquisition that is additionally issued, transferred or returned depending on future events or transaction results that occur after the conclusion of the business combination contract, which is specified in the business combination contract) provided for in the business combination contract and the accounting policy for the relevant fiscal year and thereafter;
- (ix) if most of the acquisition costs have been allocated to intangible fixed assets other than goodwill, the amount allocated to intangible fixed assets other than goodwill, the components thereof by major type, and the weighted average amortization period of all types thereof and by major type;
- (x) if the allocation of acquisition costs has yet to be completed, a statement to that effect and the reason therefor;
- (xi) in the case of a company that does not prepare consolidated financial statements, the estimated effects that would be exerted on the profit and loss statement for the fiscal year if the business combination is assumed to have been completed on the start date of the relevant fiscal year and the calculation method thereof (excluding the cases where the estimated effects are not material).

- (2) Notwithstanding the provisions of the preceding paragraph, if the transaction in the business combination is not material, the notes may be omitted; provided, however, that if, the transactions in each business combinations during the fiscal year are not material, but the transactions as a whole in multiple business combinations during the relevant fiscal year are material, the particulars set forth in item (i) and items (iii) through (x) of the preceding paragraph must be set down in the notes for the transactions as a whole in the business combinations.
- (3) The estimated effects set forth in paragraph (1), item (xi) are any of the following amounts and, if the notes have not receive an audit certification, a statement to that effect must be made:
- (i) the difference between net sales and the profit and loss information calculated by assuming that the business combination is completed on the start date of the fiscal year and the amount of sales and the profit and loss information on the profit and loss statement of the acquiring enterprise; or
 - (ii) net sales and the profit and loss information calculated by assuming that the business combination is completed on the start date of the fiscal year.
- (4) If a material review of the initial allocated amount of the acquisition costs in the current fiscal year is conducted due to the provisional settlement of accounts pertaining to the business combination implemented in the previous business year, the details of the review and the amount must be set down in the notes.
- (5) The particulars prescribed in paragraph (1), paragraph (2), and the preceding paragraph are not required to be included if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes to Be Set Down In the Case of a Reverse Acquisition in a Business Combination)

- Article 8-18 (1) If a reverse acquisition in a business combination has been done during the relevant fiscal year, the particulars equivalent to the particulars set forth in paragraph (1), items (i) through (x) of the preceding Article and the effects that would be exerted on the balance sheet and the profit and loss statement if the purchase method is applied to the business combination must be set down in the notes.
- (2) The effects prescribed in the preceding paragraph are any of the following amounts:
- (i) the difference between the amounts of the following items on the balance sheet and the profit and loss statement and the amounts of those items on the balance sheet and the profit and loss statement of the company submitting financial statements if the purchase method is applied:

- (a) balance sheet items (meaning total assets, total current assets, total fixed assets, total liabilities, total current liabilities, total fixed liabilities, total net assets, and goodwill; the same applies in Article 8-21, paragraph (2), item (i)); and
 - (b) profit and loss statement items (meaning net sales, the amount of operating income or the amount of operating loss, the amount of ordinary income or the amount of ordinary loss, 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, the goodwill amortization amount, the gain from negative goodwill and the per-share amount of net income for the period or per-share amount of net loss for the period; the same applies in Article 8-21, paragraph (2), item (i)); or
 - (ii) the amount of major items on the balance sheet and the profit and loss statement if the purchase method is applied.
- (3) The particulars and the effects prescribed in paragraph (1) are not required to be included when the enterprise specified in the following items for the respective categories of business combination set forth in those items prepares consolidated financial statements; in this case, a statement to that effect must be made:
- (i) business combination set forth in Article 8, paragraph (36), item (i): company submitting financial statements;
 - (ii) business combination set forth in Article 8, paragraph (36), item (ii): a company splitting in an absorption-type split or an enterprise that made a contribution in kind; and
 - (iii) business combination set forth in Article 8, paragraph (36), item (iii): a wholly owned subsidiary company whose common stock is 100% owned by another company.
- (4) If the notes are stated pursuant to the provisions of paragraph (1), the particulars and the effects prescribed in that paragraph must be set down in the notes in and after the fiscal year following the fiscal year in which the business combination was done unless the effects become immaterial; provided, however, that if the enterprise specified in the items of the preceding paragraph for the respective categories of business combination set forth in those items is to prepare consolidated financial statements, a statement to that effect must be made in lieu of those particulars and effects:

(Notes to Be Set Down In the Case of a Business Combination Achieved in Stages)

Article 8-19 (1) If an acquisition of another enterprise through business combination has been done during the relevant fiscal year through multiple

transactions, the following particulars must be set down in the notes; provided, however, that those are not required to be included when the combined enterprise prepares consolidated financial statements:

- (i) the particulars equivalent to the particulars set forth in the items of Article 8-17, paragraph (1);
 - (ii) the difference between the total amount of the acquisition costs of the respective acquisition transactions of the acquiring enterprise and the acquisition cost of the acquired enterprise calculated by using the market value of the acquisition costs as of the business combination date; and
 - (iii) the effects on the balance sheet and the profit and loss statement if the difference set forth in the preceding item is treated as a profit or loss.
- (2) If the notes are stated pursuant to the provisions of the main clause of the preceding paragraph, the particulars set forth in the items of that paragraph must be set down in the notes in and after the fiscal year following the fiscal year in which the business combination was done unless the effects become immaterial; provided, however, that if the combined enterprise is to prepare consolidated financial statements, those are not required to be included.

(Notes on Common Control Transactions)

Article 8-20 (1) If a common control transaction, etc. has been carried out during the relevant fiscal year, the following particulars must be set down in the notes:

- (i) the outline of the transaction;
 - (ii) an outline of the implemented accounting processes; and
 - (iii) if additional shares in a subsidiary company are acquired, the particulars equivalent to those set forth in Article 8-17, paragraph (1), items (iii), (iv), and (viii).
- (2) Notwithstanding the provisions of the preceding paragraph, if the common control transaction, etc. is not material, the notes may be omitted; provided, however, that although the respective common control transactions, etc. during the relevant fiscal year are not material, but the multiple common control transactions, etc. as a whole during the relevant fiscal year are material, the particulars set forth in the items of that paragraph must be included for the common control transactions, etc. as a whole.
- (3) The particulars specified in the preceding two paragraphs are not required to be included if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes to Be Stated In the Case of an Absorption-Type Merger of a Parent Company into its Subsidiary Company)

Article 8-21 (1) In the case of a absorption-type merger of a parent company into

its subsidiary company, if the subsidiary company, which is the company submitting financial statements, does not prepare consolidated financial statements, the effects that would have been exerted during the relevant fiscal year assuming that the parent company has become the surviving company must be set down in the notes; provided, however, that if the effects are immaterial, the notes may be omitted.

- (2) The effects prescribed in the preceding paragraph are any of the following amounts:
 - (i) the differences between the amounts of balance sheet items and the profit and loss statement items assuming that the parent company has absorbed its subsidiary company through an absorption-type merger and the amounts of the relevant items of the surviving company; or
 - (ii) the amounts of major items on the balance sheet and the profit and loss statement assuming that the parent company has absorbed its subsidiary company through an absorption-type merger.
- (3) If the notes are stated pursuant to the provisions of the main clause of paragraph (1), the effects prescribed in that paragraph must be set down in the notes in and after the fiscal year following the fiscal year in which the business combination was done unless the effects become immaterial; provided, however, that if the subsidiary company is to prepare consolidated financial statements, the effects are not required to be entered.

(Notes on Formation of Jointly Controlled Enterprises)

Article 8-22 (1) If a business combination through which a jointly controlled enterprise is formed (hereinafter referred to as a "formation of a jointly controlled enterprise" in this Article and paragraph (1) of the following Article) has been done during the relevant fiscal year, the following particulars must be set down in the notes:

- (i) the outline of the transactions; and
 - (ii) the outline of the implemented accounting processes.
- (2) Notwithstanding the provisions of the preceding paragraph, if the transaction in the formation of a jointly controlled enterprise is not material, the notes may be omitted; provided, however, that although the transactions in the respective formations of a jointly controlled enterprise during the relevant fiscal year are not material, but the transactions in multiple formations of a jointly controlled enterprise during the relevant fiscal year as a whole are material, the particulars set forth in that paragraph must be set down in the notes for the transactions in business combinations as a whole.
 - (3) The particulars specified in the preceding two paragraphs are not required to be included if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes to Be Stated by Divesting Enterprise in Business Divestitures)

Article 8-23 (1) If a business divestiture has been done during the current fiscal year, and the business divestiture falls under neither a common control transaction, etc. nor as the formation of a jointly controlled enterprise, the following particulars must be set down in the notes:

- (i) the name of the divested enterprise, a description of the divested business, the main reason for carrying out the business divestiture, the date of the business divestiture, and an outline of the business divestiture including the legal form thereof;
 - (ii) an outline of the implemented accounting processes:
 - (a) if any gain or loss on transfer has been recognized, the amount thereof, the fair book value of the assets and liabilities of the transferred business, and the major components thereof; or
 - (b) if no gain or loss on transfer has been recognized, a statement to that effect, the type of consideration received, the fair book value of the assets and liabilities of the transferred business, and the major components thereof;
 - (iii) the name of the reporting segment (meaning a reporting segment prescribed in Article 8-29, paragraph (1)) in which the divested business was included;
 - (iv) the estimated amount of profit or loss of the divested business, which is recorded on the profit and loss statement for the relevant fiscal year; and
 - (v) in a business divestiture for which a gain or loss on transfer has been recognized, if there is any continuing involvement other than divested enterprise shares being held as shares in a subsidiary company or shares in an affiliated company, an outline of the continuing involvement.
- (2) The statement set forth in item (iv) of the preceding paragraph may be omitted if the continuing involvement is immaterial.
- (3) Notwithstanding the provisions of paragraph (1), if the effects of the business divestiture are not material, the notes may be omitted; provided, however, that, although the respective transactions are not material, but the transactions carried out during the fiscal year as a whole in which the business divestitures were implemented are material, the particulars set forth in items (i) and (ii) of that paragraph must be set down in the notes for the transactions as a whole.
- (4) The particulars specified in paragraph (1) and the preceding paragraph are not required to be included if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

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

Article 8-24 (1) If a business divestiture does not fall under a business combination, the successor enterprise must set down the following particulars in the notes:

- (i) the outline of the transactions;
- (ii) the outline of the implemented accounting processes; and
- (iii) the components of the assets, liabilities and net assets taken over from the divesting enterprise.

(2) The particulars prescribed in the preceding paragraph are not required to be included if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

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

Article 8-25 (1) If a business combination that has been completed after the balance sheet date or a business combination wherein an agreement has been reached on major conditions after the balance sheet date falls under a material post-balance sheet event, the particulars concerning the business combination must be set down in the notes pursuant to the provisions of Article 8-17 (excluding items (ii), (x) and (xi) of paragraph (1)), Article 8-20 or Article 8-22; provided, however, that any particulars that remain undecided are not required to be included.

(2) If a business combination wherein an agreement has been reached on major conditions before the balance sheet date has not been completed by that date (excluding the cases prescribed in the preceding paragraph), the particulars concerning the business combination must be set down in the notes pursuant to the provisions of the preceding paragraph.

(3) The particulars specified in the preceding two paragraphs are not required to be included if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

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

Article 8-26 (1) In the cases set forth in the following items, the divesting enterprise must set down the particulars specified in those items for the business divestiture in the notes:

- (i) if a business divestiture that has been completed after the balance sheet date falls under a material post-balance sheet event: the particulars equivalent to the particulars set forth in the items of Article 8-23, paragraph (1);
- (ii) if a business divestiture wherein an agreement has been reached on major conditions after the balance sheet date falls under a material post-balance sheet event: the particulars equivalent to the particulars set forth in Article

- 8-23, paragraph (1), items (i) and (iii); and
- (iii) if a business divestiture wherein an agreement has been reached on major conditions before the balance sheet date is not completed by that date (excluding the cases set forth in item (i)): the particulars equivalent to the particulars set forth in Article 8-23, paragraph (1), items (i) and (iii).
- (2) The particulars specified in the items of the preceding paragraph are not required to be included if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

(Notes on Going Concern Assumption)

Article 8-27 On the balance sheet date, if there is an event or circumstance that would raise material doubt that may undermine an assumption that the company will continue its business activities in the future (hereinafter referred to as the "going concern assumption"), material uncertainty on the going concern assumption is still recognized even if measures for eliminating or improving the event or circumstance 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 balance sheet date, those may not be set down in the notes:

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

(Notes on Asset Retirement Obligations)

Article 8-28 (1) With regard to asset retirement obligations, the particulars specified in the following items for the respective categories of asset retirement obligations set forth in those items must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars:

- (i) any asset retirement obligations that are recorded on the balance sheet: the particulars set forth in (a) through (d) below:
- (a) an outline of the asset retirement obligations;
- (b) the method to calculate the amount of the asset retirement obligations;
- (c) the increase or decrease in the total amount of the asset retirement obligations during the relevant fiscal year; and
- (d) if an estimated amount of asset retirement obligations has been changed, a statement to that effect, the details of the change, and its effects;

- (ii) asset retirement obligations other than those set forth in the preceding item: the particulars set forth in (a) through (c) below:
 - (a) a statement that the amount of the asset retirement obligations is not recorded on the balance sheet;
 - (b) the reason for not recording the amount of the asset retirement obligations; and
 - (c) an outline of the asset retirement obligations.
- (2) The particulars specified in the items of the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Segment Information)

Article 8-29 (1) With regard to information on a certain unit of an enterprise (hereinafter referred to as a "reporting segment") (hereinafter referred to as "segment information"), the following particulars must be set down in the notes as specified in Form No. 2:

- (i) the outline of any reporting segment;
 - (ii) the amount of the net sales, profit or loss, assets, liabilities and other items for each reporting segment and the methods 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 balance sheet or the amount recorded on the 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. 3), 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 items are recorded on the balance sheet or the profit and loss statement, the outline for each reporting segment must be set down in the notes as specified in Form No. 4:
- (i) the impairment loss on fixed assets;
 - (ii) the amortization amount of goodwill and the unamortized balance; or
 - (iii) the gain from negative goodwill.
- (4) Notwithstanding the provisions of the preceding three paragraphs, notes may be omitted for immaterial particulars.
- (5) The particulars set forth in the items of paragraph (1) and the items of paragraph (2) and the outline prescribed in paragraph (3) are not required to be included when a company submitting financial statements prepares

consolidated financial statements.

(Notes on Rental Real Properties)

Article 8-30 (1) If there is any real property for rent, etc. (meaning a real property which is other than a real property classified as an inventory asset and is owned to earn revenues or profits from rental or transfer thereof; hereinafter the same applies in this paragraph), the following particulars must be set down in the notes; provided, however, that if the total amount of real properties for rent, etc. is not material, the notes may be omitted:

(i) the outline of any real property for rent, etc.;

(ii) the amount of any real property for rent, etc. recorded on the balance sheet and any major change during the relevant fiscal year;

(iii) the market value of any real property for rental, etc. as of the balance sheet date and the method to calculate the market value; and

(iv) the profit or loss associated with any real property for rental, etc.

(2) The particulars prescribed in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Public Facility Operating Project)

Article 8-31 (1) If a company submitting financial statements is an operating right holder of a public facility, etc. (meaning an operating right holder of a public facility, etc. prescribed in Article 9, item (iv) of the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999; hereinafter referred to as the "Private Finance Act" in this paragraph and the following paragraph); the same applies in the following paragraph) in a public facility operating project (meaning a public facility operating project prescribed in Article 2, paragraph (6) of the Private Finance Act; the same applies in the following paragraph), the company must set down the following particulars in the notes with respect to each right to operate a public facility, etc. (meaning the right to operate a public facility, etc. prescribed in Article 2, paragraph (7) of the Private Finance Act; the same applies hereinafter):

(i) the outline of the right to operate a public facility, etc.; and

(ii) the depreciation method for the right to operate a public facility, etc.

(2) With regard to replacement investment (meaning maintenance and administration of a public facility, etc. (meaning a public facility, etc. prescribed in Article 2, paragraph (1) of the Private Finance Act; hereinafter the same applies in this paragraph) in a public facility operating project conducted by an operating right holder of a public facility, etc.; hereinafter the same applies in this paragraph), the particulars specified in the following items must be set down in the notes with respect to each right to operate a

public facility, etc. for the respective categories of cases set forth in those items:

- (i) in cases other than the cases set forth in the following item: particulars set forth in (a) through (d):
 - (a) the details of the major replacement investment and when the replacement investment is to be made;
 - (b) the method to record assets pertaining to the replacement investment;
 - (c) the depreciation method for assets pertaining to the replacement investment; and
 - (d) if the amount of expenditure may be reasonably estimated for the part that falls under capital expenditure among the replacement investment that is expected to be made in or after the following fiscal year (limited to those whose ownership is vested in an administrator, etc. of a public facility, etc. (meaning an administrator, etc. of a public facility, etc. prescribed in Article 2, paragraph (3) of the Private Finance Act; hereinafter the same applies in this paragraph); hereinafter the same applies in this paragraph), the content and amount of the part that falls under capital expenditure;
 - (ii) if the time when the majority of replacement investment is made and the details of a specific facility, such as a public facility, to be replaced are presented by an administrator of a public facility, etc. to an operating right holder of the public facility, etc. in an agreement on the operation rights of a public facility, etc. (meaning an agreement on the operation rights of a public facility, etc. prescribed in Article 22, paragraph (1) of the Private Finance Act; the same applies in the following paragraph), etc. at the time of acquisition of the right to operate the public facility, etc. and the total amount that is planned to be paid over the period for which the operation rights are established (meaning the duration of the right to operate a public facility, etc. set forth in Article 17, item (iii) of the Private Finance Act) and the time to pay can be reasonably estimated for the part of the renewal investment that falls under capital expenditure: the following particulars:
 - (a) the particulars set forth in (a) and (c) of the preceding item; and
 - (b) the method to record assets and liabilities pertaining to the replacement investment.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the particulars specified in the following items may be included collectively in the cases set forth in those items:
- (i) the case where an integrated operation, etc. is conducted by including multiple rights to operate a public facility, etc. in a single agreement on the operation rights of a public facility, etc.: the particulars prescribed in the preceding two paragraphs pertaining to the multiple rights to operate a

- public facility, etc.; and
- (ii) the case where the respective rights to operate a public facility, etc. are immaterial but the multiple rights to operate a public facility, etc. of the same kind as a whole is not recognized as immaterial: the particulars prescribed in the preceding two paragraphs pertaining to the multiple rights to operate a public facility, etc.
- (4) The particulars prescribed in paragraphs (1) and (2) are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Revenue Recognition)

Article 8-32 (1) With regard to revenue arising from contracts with customers, the following particulars that contribute to the understanding of investors and other users of financial statements must be set down in the notes; provided, however, notes may be omitted for immaterial particulars:

- (i) information on the classification of revenues arising from contracts with customers based on major causes that exert an impact on those revenues and the nature, amount, time, and uncertainty of cash flows arising from the contracts;
 - (ii) information that serves as a basis for understanding the revenues arising from contracts with customers; and
 - (iii) information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from those contracts as well as the amount and time of revenues expected to be recognized in and after the following fiscal year from contracts with customers that exist at the end of the current fiscal year.
- (2) If the same contents are to be included in the particulars that must be set down in the notes pursuant to the provisions of this Regulation for the particulars set forth in the items of the preceding paragraph (excluding the case prescribed in the following paragraph), the particulars set forth in the items of the preceding paragraph may be omitted by making a statement to that effect.
- (3) If the same contents are to be included in the particulars that must be set down in the notes pursuant to the provisions of Article 8-2 for the particulars set forth in the items of paragraph (1), notes may be omitted for the relevant particulars.
- (4) If a company submitting financial statements prepares consolidated financial statements, notes may be omitted for the particulars set forth in paragraph (1), items (i) and (iii).
- (5) If the same contents are to be included in consolidated financial statements for the particulars set forth in paragraph (1), item (ii), those particulars may

be omitted by making a statement to that effect.

(Notes on Inventory Assets)

Article 8-33 (1) Inventory assets held for the purpose of earning a profit through fluctuations in market prices must be set down in the notes pursuant to the provisions of Article 8-6-2, paragraph (1), item (iii); provided, however, notes may be omitted for immaterial particulars.

(2) The particulars specified in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Methods to State Notes)

Article 9 (1) The notes under Article 8-2 must be included immediately after the cash flow statement.

(2) The notes under Articles 8-2-2 through 8-3-2 must be included immediately after the notes under Article 8-2.

(3) The notes to be included pursuant to the provisions of this Regulation (excluding the notes under Articles 8-2 through 8-3-2) must be included immediately after the notes under Articles 8-2-2 through 8-3-2, 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 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 8-2 may be stated together with the notes.

(4) Notwithstanding the provisions of the preceding paragraph, the notes under Article 8-27 must be included immediately after the cash flow statement. In this case, notwithstanding the provisions of paragraph (1), the notes under Article 8-2 must be included immediately after the notes under Article 8-27.

(5) If notes 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 made clear by appending a symbol to the account title or by other methods similar thereto.

Article 10 For financial statements that are to be submitted pursuant to the provisions of the Act by a stock company or a designated corporation engaged in a business to which the provisions of Article 2 apply, if there are particulars that are identical to those that must be set down in the notes pursuant to the provisions of this Regulation, notes under this Regulation must be included for those particulars, notwithstanding the provisions of laws, regulations, or rules when there are special provisions of law or regulations as provided for in the main clause of Article 2; provided, however, that this does not apply to

particulars that the Commissioner of the Financial Services Agency finds it inappropriate to be included in the notes with regard to a specific business, and has given special instructions on these particulars.

Article 10-2 For financial statements to be prepared for specified trust property, if there are particulars that are identical to those that must be set down in the notes pursuant to the provisions of this Regulation, notes under this Regulation must be included for those particulars, notwithstanding the provisions of the regulation on special purpose trust property accounting or the regulation on investment trust property accounting; provided, however, that this does not apply to particulars that the Commissioner of the Financial Services Agency finds it inappropriate to be included in the notes, and has given special instructions on those particulars.

(Units Used to Present Amounts)

Article 10-3 The amounts for the account titles and any other particulars contained in financial statements are to be presented in units of million yen or thousand yen.

Chapter II Balance Sheets

Section 1 General Provisions

(Methods to Make Entries in Balance Sheet)

Article 11 (1) The methods to make entries in a balance sheet are governed by the provisions of this Chapter.

(2) Entries in the balance sheet are to be made using Form No. 5.

(Classification of Assets, Liabilities, and Net Assets)

Article 12 Assets, liabilities, and net assets to be recorded must be classified into the assets section, liabilities section, and net assets section respectively.

Article 13 The account titles for assets and liabilities is to be arranged using a method of current arrangement.

Section 2 Assets

Division 1 General Provisions

(Classification of Assets)

Article 14 Assets to be recorded 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.

Division 2 Current Assets

(Scope of Current Assets)

Article 15 The following assets are to be categorized as current assets:

- (i) cash and deposits; provided, however, that this excludes deposits that do not mature within one year;
- (ii) negotiable instruments receivable (meaning the rights to receive payment from a customer as consideration for the delivery of goods or the provision of service under a contract with the customer (limited to those that is a legal claim against the customer; referred to as "claims arising from contracts with customers" in item (iii) and Article 17, paragraph (4)) and other claims on negotiable instruments that have arisen in the ordinary transaction; provided, however, that this excludes bankruptcy or reorganization claims, etc. that are clearly not able to be collected within one year; the same applies hereinafter);
- (ii)-2 electronically recorded monetary claims (meaning electronically recorded monetary claim prescribed in Article 2, paragraph (1) of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007); the same applies in Article 31-4, Article 47, item (i)-2 and Article 51-4; provided, however, that this excludes the claims that are bankruptcy or reorganization claims, etc. which are clearly not able to be collected within one year) that have arisen in the ordinary transactions;
- (iii) accounts receivable (meaning claims arising from contracts with customers and amounts receivable in the course of business, which have arisen in the ordinary transactions; provided, however, that this excludes bankruptcy or reorganization claims, etc. that are obviously not able to be collected within one year; the same applies hereinafter);
- (iii)-2 contract assets (meaning the rights to receive payment from a customer as consideration for the delivery of goods or the provision of service under a contract with the customer other than negotiable instruments receivable set forth in item (ii) and accounts receivable set forth in the preceding item; provided, however, that this excludes bankruptcy or reorganization claims, etc. that are obviously not able to be collected within one year; the same applies hereinafter);
- (iv) trading securities, and securities which do not mature within one year;
- (v) merchandise (including land, buildings, and any other real property owned for the purpose of sale; the same applies hereinafter);
- (vi) manufactured goods, by-products, and scraps;

- (vii) semi-finished goods (including self-made parts);
- (viii) raw materials and materials (including purchased parts);
- (ix) work in progress and partly-finished work;
- (x) consumable goods, consumable tools, instruments, equipment, and other supplies that are of reasonable value;
- (xi) advance payments (meaning advance payments for purchasing merchandise and raw materials (including any equivalents thereto); provided, however, that this excludes bankruptcy or reorganization claims, etc. that are obviously not able to be collected within one year; the same applies in Article 17, paragraph (1), item (x)); and
- (xii) any other assets that are recognized as being convertible into cash within one year.

Article 16 Prepaid expenses that should be expensed within one year and accrued revenues are to be categorized as current assets.

Article 16-2 (1) Lease receivables in ownership-transfer finance lease transactions (meaning finance lease transactions wherein the ownership of the leased property is recognized as being transferred to the lessee based on the conditions under the lease contract; the same applies hereinafter) and lease investment assets in non-ownership-transfer finance lease transactions (meaning finance lease transactions other than ownership-transfer finance lease transactions; the same applies hereinafter) that have arisen in the ordinary transactions (excluding bankruptcy or reorganization claims, etc. that are obviously not able to be collected within one year) are to be categorized as current assets.

(2) Lease receivables in ownership-transfer finance lease transactions and lease investment assets in non-ownership-transfer finance lease transactions that have arisen from transactions other than ordinary transactions and that mature within one year are to be categorized as current assets.

(Categories of Current Assets to Be Presented)

Article 17 (1) Assets categorized as current assets must be recorded using the account title having a name that indicate the assets, in accordance with the following classification of items:

- (i) cash and deposits;
- (ii) negotiable instruments receivable;
- (iii) accounts receivable;
- (iii)-2 contract assets;
- (iv) lease receivables (limited to those that have arisen in the ordinary transactions, and excluding bankruptcy or reorganization claims, etc. that

- are clearly not able to be called within one year);
- (v) lease investment assets (limited to those that have arisen in the ordinary transactions, and excluding bankruptcy or reorganization claims, etc. that are obviously not able to be collected within one year);
 - (vi) securities;
 - (vii) merchandise and manufactured goods (including semi-finished goods);
 - (viii) work in progress;
 - (ix) raw materials and supplies;
 - (x) advance payments;
 - (xi) prepaid expenses; and
 - (xii) others.
- (2) If it is found appropriate to record assets categorized under any of the items referred to in the items of the preceding paragraph separately, the provisions of that paragraph do not preclude those assets from being recorded separately using the account title having a name that indicates the assets.
- (3) Notwithstanding the provisions of paragraph (1), assets categorized under the items set forth in items (vii) through (ix) of that paragraph may be recorded collectively under the account title of inventory assets. In this case, the account titles of the assets categorized under those items and the amounts thereof must be set down in the notes.
- (4) Notwithstanding the provisions of paragraph (1), assets categorized under the items set forth in items (ii) and (iii) of that paragraph (limited to claims arising from contracts with customers) and the respective assets categorized under the item set forth in item (iii)-2 of that paragraph may be presented collectively with assets categorized under other items. In this case, the account titles of the assets categorized under the items set forth in items (ii) and (iii) of that paragraph (limited to claims arising from contracts with customers) and assets categorized under the item set forth in item (iii)-2 of that paragraph and the amounts thereof must be respectively set down in the notes; provided, however, that notes may be omitted if a company submitting financial statements prepares consolidated financial statements.

Article 18 Shares in the parent company (limited to those acquired pursuant to the provisions of Article 135, paragraph (2) and Article 800, paragraph (1) of the Companies Act; the same applies in Article 31, item (i) and Article 32-2) that are recognized as shares to be disposed of within one year must be recorded separately in current assets under the account title of shares in the parent company; provided, however, that the shares may be set down in the notes if the amount of the shares is small.

Article 19 Among assets categorized under the item set forth in Article 17,

paragraph (1), item (xii), any accrued revenue, short-term loans (including a finance negotiable instrument), short-term receivable from a shareholder, officer, or employee, or any other asset whose amount exceeds five percent of the total amount of assets must be recorded using the account title having a name that indicates the asset.

(Presentation of Allowances for Current Assets)

Article 20 (1) Allowances for the assets categorized as current assets must be, as contra-asset account titles corresponding to the relevant account titles, recorded using the account title of allowances for doubtful accounts, or using any other account title having a name that indicates the purpose for establishing the allowance, for each of the account titles; provided, however, that this does not preclude those allowances from being recorded in any of the following ways:

- (i) the method to record those allowances collectively as a contra-asset account title corresponding to those asset account titles; or
 - (ii) the method to directly deduct the allowances from the amount of the relevant assets, and present the remaining balance after the deduction as the amount of the respective assets.
- (2) In the cases referred to in item (ii) of the preceding paragraph, the allowances must be set down in the notes, by each relevant asset account title or collectively.
- (3) The particulars prescribed in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

Article 21 Deleted.

Division 3 Fixed Assets

(Scope of Tangible Fixed Assets)

Article 22 The following assets (provided, however, that the assets set forth in items (i) through (viii) are limited to those used for business) are to be categorized as tangible fixed assets:

- (i) buildings and the equipment attached thereto, such as heating, lighting, and ventilation;
- (ii) structures (meaning docks, bridges, quays, piers, tracks, reservoirs, tunnels, chimneys, and other civil engineering equipment or structures fixed to the land; the same applies hereinafter);
- (iii) machinery and devices, as well as conveyance equipment such as conveyors, hoists, and cranes, and any other equipment attached thereto;

- (iv) vessels and equipment for water transportation;
- (v) railway vehicles, cars, and other equipment for land transportation;
- (vi) tools, instruments, and equipment; provided, however, that those are limited to the ones that will last for one year or more;
- (vii) land;
- (viii) leased assets (limited to those that is the leased property of which lessee is the company submitting financial statements in finance lease transactions, and the leased property is any of the leased assets set forth in the preceding items or in item (x));
- (ix) construction in progress (meaning expenditure spent on construction of any assets set forth in items (i) through (vii) for business, and the materials that have been used for the purpose of the construction; the same applies in the following Article); and
- (x) any other tangible assets that are not categorized as current assets or assets as investments.

(Categories of Tangible Fixed Assets to Be Presented)

Article 23 (1) Assets categorized as tangible fixed assets must be recorded using the account title that indicates a name of the assets in accordance with the following classification of items:

- (i) buildings (including the equipment attached thereto; the same applies hereinafter);
 - (ii) structures;
 - (iii) machinery and devices (including the equipment attached thereto; the same applies hereinafter);
 - (iv) vessels (including equipment for water transportation; the same applies hereinafter);
 - (v) vehicles and other equipment for land transportation;
 - (vi) tools, instruments, and equipment;
 - (vii) land;
 - (viii) leased assets (limited to those that is the leased property of which lessee is the company submitting financial statements in finance lease transactions, and the leased property is any of the leased asset set forth in the preceding items or in item (x));
 - (ix) construction in progress; and
 - (x) others.
- (2) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the case referred to in the preceding paragraph.
- (3) Notwithstanding the provisions of paragraph (1), assets categorized as the leased assets set forth in item (viii) of that paragraph may be included in any of the items set forth in the items of that paragraph (excluding items (viii) and

(ix)).

Article 24 Among the assets set forth in paragraph (1), item (x) of the preceding Article, any asset whose amount exceeds five percent of the total amount of assets must be recorded using the account title having a name that indicates the asset.

(Presentation of Amount of Accumulated Depreciation)

Article 25 Beyond the cases under the following Article, the amount of accumulated depreciation amount for the buildings, structures, machinery, and devices, vessels, vehicles, and other equipment for land transportation, tools, instruments, and equipment, leased assets, or any other tangible fixed assets set forth in the items of Article 23, paragraph (1) must be recorded under account titles for accumulated depreciation, as the cross-asset account titles corresponding to the relevant account titles; provided, however, that this does not preclude those from being recorded collectively as the cross-asset account title corresponding to the fixed assets.

Article 26 (1) The amount of accumulated depreciation for the buildings, structures, machinery and devices, vessels, vehicles, and other equipment for land transportation, tools, instruments, and equipment, leased assets, or any other tangible fixed assets set forth in the items of Article 23, paragraph (1) may be directly deducted from the amounts of the respective assets, and the remaining balances after those deductions may be presented as the amounts of the respective assets. In this case, the amounts of accumulated depreciation must be set down in the notes, for each asset account title of each asset or collectively.

(2) The particulars prescribed in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Presentation of Amount of Accumulated Impairment Loss)

Article 26-2 (1) Beyond the cases under the following paragraph and paragraph (3), the amount of accumulated impairment loss for tangible fixed assets must be directly deducted from the amount of each of the relevant assets (if the amount of accumulated depreciation for tangible fixed assets have been directly deducted from the amount of the assets pursuant to the provisions of the preceding Article, the amount after the deduction), and the remaining balance after the deduction must be presented as the amount of each of the assets.

(2) The amount of accumulated impairment loss for tangible fixed assets to be

depreciated may be recorded as contra-asset account titles corresponding to each of the relevant account titles, under the account title of amount of accumulated impairment loss; provided, however, that this does not preclude those from being recorded collectively as a cross-asset account title corresponding to the fixed assets.

- (3) If the amount of accumulated depreciation and the amount of accumulated impairment loss are recorded pursuant to the provisions of Article 25 and the preceding paragraph as contra-asset account titles, the amount of accumulated impairment loss may be combined with the amount of accumulated depreciation, to be recorded under the account title of amount of accumulated depreciation.
- (4) In the cases set forth in the preceding paragraph, a statement that the amount of accumulated impairment loss is included in the amount of accumulated depreciation must be made in the notes.
- (5) The particulars prescribed in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Scope of Intangible Fixed Assets)

Article 27 The following assets are to be categorized as intangible fixed assets:

- (i) goodwill;
- (ii) patent rights;
- (iii) leasehold rights;
- (iv) surface rights;
- (v) trademark rights;
- (vi) utility model rights;
- (vii) design rights;
- (viii) mining rights;
- (ix) fishing rights;
- (x) commons of piscary;
- (xi) software;
- (xii) leased assets (limited to those that is the asset of which lessee of the leased property is the company submitting financial statements in a finance lease transaction, and the leased property is any of the leased assets set forth in item (ii) through the preceding item, the following item, and item (xiv));
- (xiii) right to operate a public facility, etc.; and
- (xiv) any other intangible assets that are not categorized as current assets or assets as investments.

(Categories of Intangible Fixed Assets to Be Presented)

Article 28 (1) Assets categorized as intangible fixed assets must be recorded using the account title that indicates a names of the assets in accordance with the following classification of items:

- (i) goodwill;
- (ii) patent rights;
- (iii) leasehold rights (including surface rights);
- (iv) trademark rights;
- (v) utility model rights;
- (vi) design rights;
- (vii) mining rights;
- (viii) fishing rights (including commons of piscary);
- (ix) software;
- (x) leased assets (limited to those that is the asset of which lessee of the leased property is the company submitting financial statements in a finance lease transaction and the leased property is any of the leased assets set forth in item (ii) through the preceding item, the following item, and item (xii));
- (xi) right to operate a public facility, etc.; and
- (xii) others.

(2) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the cases set forth in the preceding paragraph.

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

Article 29 Among the assets set forth in paragraph (1), item (xii) of the preceding Article, any asset whose amount exceeds five percent of the total amount of assets must be recorded using an account title having a name that indicates the asset.

Article 30 The amount of accumulated amortization and the amount of accumulated impairment loss for intangible fixed assets must be directly deducted from the amount of the intangible fixed assets, and the remaining balances after those deductions must be presented as the amount of each of the intangible fixed assets.

(Scope of Investments and Other Assets)

Article 31 The following assets are to be categorized as investments and other assets:

- (i) shares in an associated company (excluding shares that fall under trading securities, and excluding shares in the parent company; the same applies hereinafter) and securities that are not categorized as current assets;

- (ii) capital investments;
- (iii) long-term loans;
- (iv) prepaid pension costs;
- (v) deferred tax assets; and
- (vi) beyond what is set forth in the preceding items, long-term assets other than those categorized as current assets, tangible fixed assets, intangible fixed assets, or deferred assets.

Article 31-2 Prepaid expenses other than those prescribed in Article 16 are to be categorized as investments and other assets.

Article 31-3 Lease receivables in ownership-transfer finance lease transactions and lease investment assets in non-ownership-transfer finance lease transactions other than those prescribed in Article 16-3 are to be categorized as investments and other assets.

Article 31-4 Electronically recorded monetary claims other than those falling under assets set forth in Article 15, items (ii)-2 and (xii) are to be categorized as investments and other assets.

(Categories of Investments and Other Assets to Be Presented)

Article 32 (1) Assets categorized as investments and other assets must be recorded using the account title having a name that indicate the assets, in accordance with the following classification of items:

- (i) investment securities; provided, however, that shares in an associated company, bonds in an associated company, and other securities in an associated company (meaning securities in an associated company other than shares in an associated company and bonds in an associated company; hereinafter the same applies in this paragraph) are being excluded;
- (ii) shares in an associated company;
- (iii) bonds in an associated company;
- (iv) other securities in an associated company;
- (v) capital investments; provided, however, that capital investments in associated companies are being excluded;
- (vi) capital investments in associated companies;
- (vii) long-term loans; provided, however, that long-term loans to shareholders, officers, workers, or associated companies are being excluded;
- (viii) long-term loans to shareholders, officers, and employees;
- (ix) long-term loans to associated companies;
- (x) bankruptcy or reorganization claims, etc.;
- (xi) long-term prepaid expenses;

- (xii) prepaid pension costs;
- (xiii) deferred tax assets; and
- (xiv) others.

(2) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the cases set forth in the preceding paragraph.

Article 32-2 Shares in the parent company other than those prescribed in Article 18 must be recorded separately in investments or other assets using the account title of shares in the parent company; provided, however, that the shares may be set down in the notes if the amount of the shares is small.

Article 32-3 deferred tax assets related to a revaluation as prescribed in Article 7, paragraph (1) of the Act on Revaluation of Land (Act No. 34 of 1998; hereinafter referred to as the "Land Revaluation Act") must be recorded separately in investments and other assets using the account title of deferred tax assets related to revaluation.

Article 33 Among the assets referred to in Article 32, paragraph (1), item (xiv), any real property for investment (meaning land, buildings, or any other real property owned for the purpose of investment), deposits that do not mature within one year, or any other asset whose amount exceeds five percent of the total amount of assets must be recorded using the account title having a name that indicates the asset.

(Presentation of Allowances for Investments and Other Assets)

Article 34 The provisions of Article 20 apply mutatis mutandis to allowances for assets categorized as investments and other assets.

Article 35 Deleted.

Division 4 Deferred Assets

(Scope of Deferred Assets)

Article 36 Deferred organization expenses, business commencement expenses, stock issuance expenses, corporate bond issuance expenses, and development expenses are to be categorized as deferred assets.

(Categories of Deferred Assets to Be Presented)

Article 37 (1) Assets categorized as deferred assets must be recorded using the account title having a name that indicates the asset, in accordance with the following classification of items:

- (i) deferred organization expenses;
 - (ii) business commencement expenses;
 - (iii) stock issuance costs;
 - (iv) corporate bond issuance costs; and
 - (v) development costs.
- (2) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the cases set forth in the preceding paragraph.

Article 38 The amount of accumulated amortization for deferred assets must be directly deducted from the amounts of the deferred assets, and the remaining balances after those deductions must be presented as the amount of each of the deferred assets.

Division 5 Miscellaneous Provisions

(Notes on Assets Receivable from Associated Companies)

- Article 39 (1) If the sum of negotiable instruments receivable, accounts receivable, and contract assets that have arisen from the transactions with associated companies exceeds five percent of the total amount of assets, the amount of the negotiable instruments receivable, the amount of the accounts receivable, and the amount of the contract assets must be set down in the notes respectively; provided, however, that if either the amount of negotiable instruments receivable or the sum of the amount of accounts receivable and the amount of the contract assets transferred from associated companies is no more than five percent of the total amount of assets, only the sum of these amounts may be set down in the notes.
- (2) With regard to claims (excluding negotiable instruments receivable, accounts receivable, contract assets, and claims that are classified to be recorded pursuant to the provisions of Article 32, paragraph (1)), goods in transit, consignments, prepaid expenses, or accrued revenues that have arisen from the transactions with associated companies whose amount exceeds five percent of the total amount of assets, the amount thereof must be set down in the notes.
- (3) If the total amount of the assets receivable from associated companies prescribed in the preceding two paragraphs other than those that have been set down in the notes pursuant to the provisions of the preceding two paragraphs exceeds five percent of the total amount of assets, a statement to that effect and the amount thereof must be set down in the notes.

Article 40 Deleted.

Article 41 Deleted.

(Notes on Revaluation of Land for Business Use)

Article 42 (1) If the land for business use has been revalued pursuant to the provisions of the Land Revaluation Act, a statement to that effect, the method of revaluation prescribed in Article 3, paragraph (3) of that Act, the date of the revaluation, and the book value of the land for business use before and after it is revalued must be set down in the notes.

(2) If a company, etc. owns the land for business use that has been revalued pursuant to the provisions of the Land Revaluation Act, a statement to that effect, the method of revaluation prescribed in Article 3, paragraph (3) of that Act, the date of the revaluation, and the difference prescribed in Article 10 of that Act must be set down in the notes.

(3) The particulars prescribed in the preceding two paragraphs are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Collateral Assets)

Article 43 If any asset is used as collateral, a statement to that effect must be set down in the notes.

Article 44 Deleted.

Section 3 Liabilities

Division 1 General Provisions

(Classification of Liabilities)

Article 45 Liabilities to be recorded must be classified into current liabilities and fixed liabilities.

Article 46 Deleted.

Division 2 Current Liabilities

(Scope of Current Liabilities)

Article 47 The following liabilities are to be categorized as current liabilities:

- (i) negotiable instruments payable (meaning debts on negotiable instruments that have arisen in the ordinary transactions; the same applies hereinafter);
- (i)-2 debts pertaining to electronically recorded monetary claims (limited to those which have arisen in the ordinary transactions);
- (ii) accounts payable (meaning amounts payable in the course of business that

- have arisen based on ordinary transactions; the same applies hereinafter);
- (ii)-2 contract liability (meaning consideration paid by the customer for the obligation to deliver goods or provide a service under a contract with the customer or consideration for which payment due date has already passed, and the revenues arising from the contract with the customer have yet to be recognized; the same applies hereinafter);
 - (iii) advances received;
 - (iv) allowances (excluding allowances for assets; hereinafter the same applies in this Division and Division 3); provided, however, that those that are recognized not to be used within one year are being excluded;
 - (v) amounts payable or deposits received that have arisen in the ordinary transactions, which are, as a general business practice, to be paid within a short period after it has arisen; and
 - (vi) any other liabilities that are recognized to be paid or get repaid within one year.

Article 48 Accrued expenses and unearned revenues are to be categorized as current liabilities.

Article 48-2 Lease obligations in finance lease transactions that expires within one year are to be categorized as current liabilities.

Article 48-3 Asset retirement obligations that are recognized to be performed within one year are to be categorized as current liabilities.

(Categories of Current Liabilities to Be Presented)

Article 49 (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 classification of items; provided, however, that any dividends payable or past-due outstanding corporate bonds whose amount exceeds five percent of the sum of liabilities and net assets must be recorded separately using the account title having a name that indicates the liability:

- (i) negotiable instruments payable;
- (ii) accounts payable;
- (iii) short-term borrowings (including finance negotiable instruments and overdrafts; the same applies hereinafter); provided, however, that short-term borrowings from shareholders, officers, or employees are being excluded;
- (iv) lease obligations;
- (v) amounts payable;
- (vi) accrued expenses;
- (vii) accrued corporate tax, etc.;

- (vii)-2 contract liabilities;
 - (viii) advances received;
 - (ix) deposits received; provided, however, that deposits received from shareholders, officers, or employees are being excluded;
 - (x) unearned revenues;
 - (xi) allowances;
 - (xii) asset retirement obligations;
 - (xiii) liabilities pertaining to the right to operate a public facility, etc.; and
 - (xiv) others.
- (2) If it is found to be appropriate to record liabilities categorized under any of the items referred to in the items of the preceding paragraph separately, the provisions of that paragraph do not preclude the liabilities from being recorded separately using the account title having a name that indicates the liabilities.
- (3) Accrued corporate tax, etc. as set forth in paragraph (1), item (vii) means accrued amounts of corporate tax, inhabitants tax (meaning prefectural inhabitants tax and municipal inhabitants tax; the same applies hereinafter), and enterprise tax.
- (4) The allowances referred to in paragraph (1), item (xi) must be recorded using the account title of reserves for repairs, or any other account title having a name that indicates the purpose for establishing the allowance.
- (5) Notwithstanding the provisions of paragraph (1), liabilities categorized under the item set forth in item (vii)-2 of that paragraph may be presented collectively with liabilities categorized under other items. In this case, the account titles of the liabilities categorized under the item set forth in that item and the amounts thereof must be set down in the notes; provided, however, that notes may be omitted when a company submitting financial statements prepares consolidated financial statements.

Article 50 Among the liabilities categorized as items set forth in paragraph (1), item (xiv) of the preceding Article, any short-term debt such as a short-term borrowing from a shareholder, officer or employee, or any other liability of which the amount exceeds five percent of the sum of liabilities and net assets must be recorded using the account title having a name that indicates the liability.

Division 3 Fixed Liabilities

(Scope of Fixed Liabilities)

Article 51 Corporate bonds, long-term borrowings, long-term borrowings from associated companies, deferred tax liabilities, allowances (excluding the allowances set forth in Article 47, item (iv)), and any other liabilities that are

not categorized as current liabilities are to be categorized as fixed liabilities.

Article 51-2 Lease obligations in finance lease transactions other than those prescribed in Article 48-2 are to be categorized as fixed liabilities.

Article 51-3 Asset retirement obligations other than those prescribed in Article 48-3 are to be categorized as fixed liabilities.

Article 51-4 Debts pertaining to electronically recorded monetary claims other than those falling under liabilities set forth in Article 47, items (i)-2 and (vi) are to be categorized as fixed liabilities.

(Categories of Fixed Liabilities to Be Presented)

Article 52 (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 classification of items:

(i) corporate bonds;

(ii) long-term borrowings (including finance negotiable instruments; the same applies hereinafter); provided, however, that long-term borrowings from shareholders, officers, employees, or associated companies are being excluded;

(iii) long-term borrowings from associated companies;

(iv) lease obligations;

(v) deferred tax liabilities;

(vi) allowances;

(vii) asset retirement obligations;

(viii) liabilities pertaining to the right to operate a public facility, etc.; and

(ix) others.

(2) The provisions of Article 49, paragraph (2) apply mutatis mutandis in the case referred to in the preceding paragraph.

(3) The allowances referred to in paragraph (1), item (vi) must be recorded using the account title of reserves for retirement benefits or any other account title having a name that indicates the purpose for establishing the allowance.

Article 52-2 Deferred tax liabilities pertaining to the revaluation prescribed in Article 7, paragraph (1) of the Land Revaluation Act must be recorded separately in fixed liabilities using the account title of deferred tax liabilities pertaining to a revaluation.

Article 53 Among the liabilities classified under the item set forth in Article 52, paragraph (1), item (ix), any long-term borrowings from a shareholder, officer,

or worker, or any other liability whose amount exceeds five percent of the combined total of liabilities and net assets must be recorded using the account title having a name that indicates the liability.

Division 4 Miscellaneous Provisions

(Presentation of Deferred Tax Assets and Deferred Tax Liabilities)

Article 54 If a company, etc. owns the deferred tax assets set forth in Article 32, paragraph (1), item (xiii) and the deferred tax liabilities set forth in Article 52, paragraph (1), item (v), the difference between them must be presented for investments, other assets or fixed liabilities as deferred tax assets or deferred tax liabilities.

(Reserves under Special Laws)

Article 54-3 (1) Reserves or allowances that must be recorded using the name for reserves or allowances pursuant to the provisions of laws and regulations and that is inappropriate to record in the assets section or the liabilities section (hereinafter referred to as "reserves, etc.") must be entered separately by adding another class immediately after fixed liabilities, notwithstanding the provisions of Articles 13 and 45.

(2) reserves, etc. must be recorded using the account title having a name that indicates the purpose for establishing the reserves, etc., and the provisions of laws or regulations that provide for the recording thereof must be set down in the notes.

(3) Whether or not the reserves, etc. are recognized 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.

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

Article 54-4 (1) If a company, etc. owns inventory assets and set aside reserves for losses on construction contracts pertaining to the same construction contract, the difference obtained by offsetting one against the other may be presented for current assets or current liabilities as inventory assets or reserves for losses on construction contracts.

(2) If a company, etc. owns inventory assets and set aside reserves for losses on construction contracts pertaining to the same construction contract, 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 notes may be omitted for immaterial particulars:

(i) if inventory assets and reserves for losses on construction contracts

pertaining to the same construction contract are presented without offsetting one against the other: a statement to that effect and the amount of the inventory assets corresponding to the reserves for losses on construction contracts; and

- (ii) if inventory assets and reserves for losses on construction contracts pertaining to the same construction contract are presented as the amount of the difference obtained by offsetting one against the other pursuant to the provisions of the preceding paragraph: a statement to that effect and the offset amount recorded for the inventory assets.
- (3) The provisions of Article 17, paragraph (2) apply mutatis mutandis to the inventory assets prescribed in item (ii) of the preceding paragraph.
- (4) The particulars prescribed in paragraph (2) are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Note on Liabilities to Associated Companies)

Article 55 (1) If the sum of negotiable instruments payable and accounts payable that have arisen from the transactions with associated companies exceeds five percent of the sum of liabilities and net assets, the amount of the negotiable instruments payable and the amount of the accounts payable must be set down in the notes respectively; provided, however, that if either the amount of negotiable instruments payable or the amount of accounts payable to associated companies is not more than five percent of the sum of liabilities and net assets, only the sum of these amounts may be set down in the notes.

- (2) With regard to debts (excluding negotiable instruments payable, accounts payable, and debts that are classified to be recorded pursuant to the provisions of Article 52, paragraph (1)), accrued expenses, or unearned revenues that have arisen from the transactions with associated companies and whose amount exceeds five percent of the sum of liabilities and net assets, the amount thereof must be set down in the notes.
- (3) If the total amount of the liabilities to associated companies prescribed in the preceding two paragraphs other than those that have been set down in the notes pursuant to the provisions of the preceding two paragraphs exceeds five percent of the sum of liabilities and net assets, a statement to that effect and the amount thereof must be set down in the notes.

(Notes on Specified Accounts for Business Combination)

Article 56 (1) If, In a business combination that has been determined to be an acquisition, specified accounts for the business combination (meaning any expenses or losses that are expected to arise after the acquisition, of which probability is reflected in calculating the consideration for the acquisition; the

same applies in Article 95-3-3) are recorded for liabilities, the main contents and the amount thereof must be set down in the notes.

(2) The particulars prescribed in the preceding paragraph may be omitted if the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

Article 57 Deleted.

(Notes on Contingent Liabilities)

Article 58 If there are contingent liabilities (meaning guarantees of debts (including those that have the same effect as guarantees of debts), an obligation to compensate in relation to a contentious case, and other liabilities that have not arisen in reality but may be borne by the business in the future), the contents and amounts thereof must be set down in the notes; provided, however, that notes may be omitted for immaterial particulars.

Section 4 Net Assets

Division 1 General Provisions

(Classification of Net Assets)

Article 59 Net assets to be recorded must be classified into shareholders' equity, valuation and translation adjustments, and share options.

Division 2 Shareholders' Equity

(Classification of Shareholders' Equity)

Article 60 Shareholders' equity to be recorded must be classified into stated capital, capital surplus, and retained earnings.

(Presentation of Stated Capital)

Article 61 Stated capital must be recorded using the account title for stated capital.

(Presentation of Deposits for Subscriptions to Shares)

Article 62 (1) Notwithstanding the provisions of Article 60, deposits for subscriptions to shares after the offer date must be recorded separately by adding another classification immediately after stated capital using the account title of deposits for subscriptions to shares.

(2) In the case referred to in the preceding paragraph, the number of shares issued, the date of increase in the stated capital, and the amount thereof that

is planned to be transferred to capital reserves must be set down in the notes.

(Categories of Capital Surplus to Be Presented)

Article 63 (1) Any surplus classified as capital surplus must be recorded using the account title having a name for the surplus, in accordance with the following classification of items:

- (i) capital reserves; and
 - (ii) other capital surplus (meaning capital surplus other than capital reserves and any reserves specified by law that are equivalent to capital reserves).
- (2) Any reserves specified by law that are equivalent to capital reserves must be recorded using the account title having a name for the reserves by adding another account title immediately after capital reserves.

Article 64 Deleted.

(Categories of Retained Earnings to Be Presented)

Article 65 (1) Surpluses categorized as retained earnings must be recorded using the account title having a name that indicates the surpluses, in accordance with the following classification of items:

- (i) retained earnings reserves; and
 - (ii) other retained earnings.
- (2) Any reserves specified by law that are equivalent to retained earnings reserves must be recorded using the account title having a name that indicates the reserves by adding another account title immediately after retained earnings reserves.
- (3) Other retained earnings must be recorded using the account title for the establishment based on a resolution at a shareholders' meeting or of the board of directors, or using the account title of deferred retained earnings.

(Presentation of Treasury Shares)

Article 66 Treasury shares must be recorded using the account title for treasury shares as a contra-asset item corresponding to shareholders' equity immediately after the retained earnings.

(Presentation of Deposits for Subscriptions to Treasury Shares)

Article 66-2 Notwithstanding the provisions of Article 60, deposits for subscriptions after the offer date in relation to the disposal of treasury shares must be recorded using the account title for deposits for subscriptions to treasury shares, immediately after the treasury shares.

Division 3 Valuation and Translation Adjustments

(Classification and Categories of Valuation and Translation Adjustments to Be Presented)

Article 67 (1) Valuation and translation adjustments must be recorded in accordance with the following classification of items, using the account title having a name that indicates the relevant items:

(i) valuation differences on other securities (meaning the valuation differences on other securities recorded in the net assets section);

(ii) deferred gain or loss on hedges (meaning gains or losses or market value valuation differences on hedging instruments that the company, etc. may defer the recognition thereof until the gains or losses on hedged items are recognized); and

(iii) land revaluation difference (meaning a land revaluation difference as prescribed in Article 7, paragraph (2) of the Land Revaluation Act).

(2) Beyond the items set forth in the preceding paragraph, any item that is found appropriate to be recorded as an item for valuation and translation adjustments may be recorded using the account title having a name that indicates the relevant items.

Division 4 Share Options

(Presentation of Share Options)

Article 68 (1) Share options must be recorded using the account title for share options.

(2) Treasury share options must be deducted from share options; provided, however, that this does not preclude treasury share options from being recorded using the account title for treasury share options, immediately after the share options, as a contra-asset item corresponding to the share options.

Division 5 Miscellaneous Provisions

(Notes on Dividend Limitations)

Article 68-2 Deleted

(Entry of Designated Corporation's Net Assets)

Article 68-3 When a designated corporation prepares a balance sheet, if it is found inappropriate to include its net assets in it pursuant to this Regulation, the designated corporation may include its net assets in an equivalent manner as specified in the provisions of laws, regulations, or rules that are applicable to its financial statements. In this case, the governing laws, regulations, or rules must be set down in the notes.

(Notes on Per-Share Amount of Net Assets)

Article 68-4 (1) The per-share amount of net assets must be set down in the notes.

(2) If any consolidation of shares or share split has been done during the current fiscal year or after the 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 per-share amount of net assets is calculated by assuming that the consolidation of shares or share split has been done at the beginning of the previous business year.

(3) The particulars prescribed in the preceding two paragraphs are not required to be included when a company submitting financial statements prepares consolidated financial statements.

Chapter III Profit and Loss Statements

Section 1 General Provisions

(Methods to Make Entries in Profit and Loss Statement)

Article 69 (1) The methods to make entries in a profit and loss statement are governed by the provisions of this Chapter.

(2) Entries in a profit and loss statement are to be made using Form No. 6.

(Classification of Revenues and Expenses)

Article 70 Revenues and expenses to be recorded must be classified into account titles having a name that indicates the following items:

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

(Methods to Enter Net Sales of Company Engaged in Multiple Types of Business)

Article 71 If a company, etc. is engaged in two or more types of business, the net sales and the cost of sales may be entered separately for each type of business.

Section 2 Net Sales and Cost of Sales

(Methods to Present Net Sales)

Article 72 (1) Net sales must be recorded using the account title having a name that indicates the net sales.

(2) The net sales set forth in the preceding paragraph are to be entered after classifying them into revenues arising from contracts with customers and other revenues; provided, however, those entries and notes may be omitted when a company submitting financial statements prepares consolidated financial statements.

(Methods to Present Valuation Difference of Inventory Assets)

Article 72-2 Entry of the valuation difference of inventory assets held for the purpose of gaining a profit through fluctuations in market prices must be included using the account title having a name that indicates the net sales; provided, however, that if the amount is not material, it may be included in non-operating revenues or non-operating expenses.

(Methods to Present Installment Sales)

Article 73 Deleted.

(Notes on Net Sales to Associated Companies)

Article 74 If net sales to associated companies exceed twenty percent of the total amount of net sales, the amount thereof must be set down in the notes.

(Methods to Present Cost of Sales)

Article 75 (1) Items categorized as the cost of sales must be recorded using the account title having a name that indicates the items set forth in items (i) and (ii) and under account titles with names that are indicative of the item set forth in item (iii) and that serve as a contra-asset account titles corresponding to the former account titles:

(i) the initial inventory of merchandise or manufactured goods (including semi-finished goods, by-products, scraps, etc.; the same applies hereinafter);

(ii) the cost of merchandise purchased for the period or the cost of goods manufactured for the period; and

(iii) the ending inventory of merchandise or manufactured goods.

(2) With regard to the cost of goods manufactured for the period set forth in item (ii) of the preceding paragraph, a detailed statement containing the breakdown thereof must be attached to the profit and loss statement; provided, however, that this does not apply if the segment information prescribed in Article 15-2, paragraph (1) of the regulation on consolidated financial statements is set down in the notes in consolidated financial statements.

Article 76 If there is any increase or decrease in the merchandise or manufactured goods set forth in paragraph (1) of the preceding Article due to a reason other than a sale, production, or purchase, or if there is any other matter to be added as an item constituting the cost of sales, the item must, in addition to the account titles indicating the items set forth in the respective items of that paragraph, be separately recorded using the account title that indicates the contents thereof.

(Notes on Additions to Reserves for Losses on Construction Contracts)

Article 76-2 (1) The amount of additions to reserves for losses on construction contracts that are included in the cost of sales must be set down in the notes.
(2) The particulars prescribed in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Detailed Statement of Cost of Sales to Be Attached)

Article 77 The provisions of Article 75, paragraph (1) do not apply if it is found to be difficult or inappropriate to enter the cost of sales by classifying them into the items set forth in each of the items of that paragraph. In this case, a detailed statement containing a breakdown of the cost of sales must be attached to the profit and loss statement.

(Detailed Statement of Costs of Company Engaged in Specified Business)

Article 78 (1) If a document with the same content as the detailed statement prescribed in Article 75, paragraph (2) or the preceding Article is specified as the supplementary schedule by laws and regulations or rules that provide for particulars concerning a business for which the provisions of Article 2 are applied, with regard to financial statements to be submitted pursuant to the provisions of the Act by a stock company or a designated corporation engaged in that business, the schedule is to be attached to the profit and loss statement, and entries for the supplementary schedule is to be omitted.

(2) Among the supplementary schedules specified by the laws, regulations, or rules prescribed in Article 2, those set forth below are to fall under documents with the same content as the detailed statement prescribed in the preceding paragraph:

- (i) a schedule of railway business operating expenses as specified by the Regulation on Accounting in the Railway Industry (Ministry of Transport Order No. 7 of 1987);
- (ii) a schedule of motorway business operating expenses as specified by the Regulation on Accounting in the Motorway Industry (Order of the Ministry of

- Transport and the Ministry of Construction No. 3 of 1964);
- (iii) a schedule of telecommunications services operating expenses (expenses by department) as specified by the Regulation on Accounting in Telecommunications Services (Order of the Ministry of Posts and Telecommunications No. 26 of 1985);
 - (iv) a schedule of electric utility operating expenses as specified by the Regulation on Electric Utility Accounting (Order of the Ministry of International Trade and Industry No. 57 of 1965);
 - (v) a schedule of operating expenses as specified by the Regulation on Gas Utility Accounting (Order of the Ministry of International Trade and Industry No. 15 of 1954);
 - (vi) a schedule of expressway business operating expenses, non-operating expenses, extraordinary loss, etc. as specified by the Regulation on Accounting in the Expressway Projects (Order of the Ministry of Land, Infrastructure and Transportation No. 65 of 2005);
 - (vii) a schedule of business expenses as specified by the Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements for social medical corporations that issue social medical corporation bonds (Order of the Ministry of Health, Labour and Welfare No. 38 of 2007); and
 - (viii) a schedule of business expenses as specified by the Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements for Incorporated Educational Institutions That Issue Securities (Order of the Ministry of Education, Culture, Sports, Science and Technology No. 36 of 2007).
- (3) The contents of the supplementary schedules set forth in items (i) through (iii) of the preceding paragraph may be entered by summarizing them into expense items that are found to be appropriate.

(Methods to Present Costs of Merchandise Purchased)

Article 79 The cost of merchandise purchased for the period set forth in Article 75, paragraph (1), item (ii) must be recorded using the account title having a name of the merchandise purchased for the period; provided, however, that this does not preclude the cost from being recorded using the account title having a name that indicates the total amount of merchandise purchased (including freight-in and expenses related to direct purchases) or using the account title having a name that indicates the item of purchase allowance, returns, etc. that serves as a contra-asset account title corresponding to the former account title.

(Entries Related to Reduction in Book Value of Inventory Assets)

Article 80 (1) If the book value of inventory assets owned for the purpose of ordinary sales has been reduced due to a decline in profitability, the reduction

amount (if the reduction amount that was recorded at the end of the previous business year has been reversed in the current fiscal year, the amount obtained by offsetting the returned amount against the reduction amount recorded at the end of the current fiscal year) must be recorded separately using the account title having a name that indicates the contents thereof, as a constituent item of the cost of sales or of any other item; provided, however, that this does not preclude the ending inventory of the inventory assets from being recorded as the amount after the book value has been reduced, and a statement to that effect and the reduction amount from being set down in the notes.

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

(3) Notwithstanding the provisions of paragraph (1), the amount is not required to be recorded separately or set down in the notes when a company submitting financial statements prepares consolidated financial statements.

Article 81 Deleted.

Article 82 Deleted.

(Presentation of Gross Profit or Loss on Sales)

Article 83 The amount obtained by deducting the cost of sales from net sales (if the cost of sales exceeds net sales, the amount obtained by deducting net sales from the cost of sales) must be presented as the gross profit on sales or the gross loss on sales.

Section 3 Selling Expenses and General and Administrative Expenses

(Scope of Selling Expenses and General and Administrative Expenses)

Article 84 All expenses that have arisen from the selling operations and general and administrative operations of a company are to be categorized as selling expenses and general and administrative expenses.

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

Article 85 (1) Selling expenses and general and administrative expenses must be classified into expense items that are found to be appropriate, and must be recorded using the account title having a name that indicates the expenses; provided, however, that this does not preclude those expenses from being set down under the account title of selling expenses, the account title of general

and administrative expenses, or the account title of selling expenses and general and administrative expenses collectively, and the major expense items and amounts thereof from being set down in the notes.

- (2) The major expense items prescribed in the proviso to the preceding paragraph means the depreciation/amortization expenses and additions to allowances (excluding the expense items having a small amount) and any other expense items whose amount exceeds ten percent of the combined total of selling expenses and general and administrative expenses.

(Notes on Research and Development Costs)

Article 86 (1) With regard to the research and development costs included in the general and administrative expenses and in the manufacturing expenses for the period, the total amount thereof must be set down in the notes.

- (2) The particulars prescribed in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Methods to Present Bad Debts Written Off)

Article 87 Additions to the allowance for doubtful accounts or bad debt losses on claims that have arisen in the ordinary transactions, excluding those that are extraordinary, must be recorded separately, as selling expenses, using the account title having a name that indicates the expenses.

(Notes on Operating Expenses Related to Associated Companies)

Article 88 (1) With regard to the cost of merchandise or raw materials purchased, consignment processing costs, rental expenses on real property, or the shared cost (meaning a shared cost under a contract in which the company submitting financial statements bears a certain percentage of the costs that have arisen in an associated company during a fiscal year) that has arisen from the transactions with associated companies in an amount exceeding twenty percent of the sum of the cost of sales, the selling expenses and general and administrative expenses, the amount thereof must be set down in the notes.

- (2) If the total amount of expenses that have arisen from the transactions with associated companies as prescribed in the preceding paragraph other than those that have been set down in the notes pursuant to the provisions of the preceding paragraph exceeds twenty percent of the sum of the cost of sales, the selling expenses and general and administrative expenses, a statement to that effect and the amount thereof must be set down in the notes.

(Presentation of Amount of Operating Income and Loss)

Article 89 The amount obtained by deducting the sum of the selling expenses

and general and administrative expenses from the gross profit on sales (if the sum of the selling expenses and general and administrative expenses exceeds the gross profit on sales, the amount obtained by deducting the gross profit on sales from the sum of the selling expenses and general and administrative expenses) must be presented as the amount of operating income or the amount of operating loss, or the amount obtained by adding the sum of the selling expenses and general and administrative expenses to the gross loss on sales must be presented as the amount of operating loss.

Section 4 Non-Operating Revenues and Non-Operating Expenses

(Methods to Present Non-Operating Revenues)

Article 90 Revenues categorized as non-operating revenues must be recorded using the account title having a name that indicates the revenues, in accordance with the classifications of interest income (excluding interest on securities), interest on securities, dividends income, gains on the sale of securities, purchase discounts, and others; provided, however, that any revenues whose amounts are not more than ten percent of the total amount of non-operating revenue and that it is found appropriate to be presented collectively, may be recorded using the account title having a name that collectively indicates the revenues.

(Notes on Non-Operating Revenue Related to Associated Companies)

Article 91 (1) With regard to revenue that has arisen from the transactions with associated companies that is classified as non-operating revenue and whose amount exceeds ten percent of the total amount of non-operating revenues, the amount thereof must be set down in the notes.

(2) If the total amount of revenue related to associated companies other than those set down in the notes pursuant to the provisions of the preceding paragraph exceeds ten percent of the total amount of non-operating revenues, a statement to that effect and the amount thereof must be set down in the notes.

Article 92 Deleted.

(Methods to Present Non-Operating Expenses)

Article 93 Expenses classified as non-operating expenses must be recorded using the account title having a name that indicates the expenses, in accordance with the classifications of interest expenses, interest on corporate bonds, amortization of bond issuance expenses, amortization of deferred organization expenses, amortization of business commencement expenses, additions to the allowance for doubtful accounts or bad debt losses (excluding those that are

entered as selling expenses pursuant to the provisions of Article 87), losses on the sale of securities, and others; provided, however, that any expenses whose amounts are not more than ten percent of the total amount of non-operating expenses and that it is found appropriate to be presented collectively, may be recorded using the account title having a name that collectively indicates the expenses.

(Notes on Non-Operating Expenses Related to Associated Companies)

Article 94 (1) With regard to expenses that have arisen from the transactions with associated companies that are classified as non-operating expenses and whose amount exceeds ten percent of the total amount of non-operating expenses, the amount thereof must be set down in the notes.

(2) If the total amount of expenses related to associated companies other than those set down in the notes pursuant to the provisions of the preceding paragraph exceeds ten percent of the total amount of non-operating expenses, a statement to that effect and the amount thereof must be set down in the notes.

(Presentation of Amount of Ordinary Income and Loss)

Article 95 The amount obtained by adjusting the amount of operating income or the amount of operating loss first by adding or subtracting the amount of non-operating revenues, and then by adding or subtracting the amount of non-operating expenses must be presented 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 95-2 Profits categorized as extraordinary profit must be recorded using the account title having a name that indicates the profits, in accordance with the classification of gain on prior period adjustment, gain on sales of fixed assets, gain from negative goodwill and others; provided, however, that any profits of which amounts are not more than ten percent of the total amount of extraordinary profit, which are found appropriate to be presented collectively, may be recorded using the account title having a name that collectively indicates the profits.

(Methods to Present Extraordinary Loss)

Article 95-3 Losses categorized as extraordinary loss must be recorded using the account title having a name that indicates the losses, in accordance with the classifications of loss on the sale of fixed assets, impairment loss, loss on disaster, and others; provided, however, that any losses whose amounts are not

more than ten percent of the total amount of extraordinary loss and that it is found appropriate to be presented collectively, may be recorded using the account title having a name that collectively indicates the losses.

(Notes on Impairment Loss)

Article 95-3-2 (1) If there are assets or asset groups (meaning a group of assets when the assets as a group generates cash flows; the same applies hereinafter) for which impairment loss has been recognized, the particulars set forth in the following items must be set down in the notes for each of the assets or asset groups; provided, however, that the notes may be omitted if they are not material:

- (i) an outline of the following particulars concerning the relevant asset or group of assets:
 - (a) the intended purpose;
 - (b) the type;
 - (c) the place; and
 - (d) if there are other particulars that are found to be necessary for understanding the components of the relevant asset or group of assets, the details of the particulars;
 - (ii) the process for recognizing the impairment loss;
 - (iii) the amount of the impairment loss and the breakdown of the amount by major type of fixed asset;
 - (iv) if there is any group of assets, the method used to classify the assets pertaining to the group of assets into the group; and
 - (v) if the recoverable value is the net sales value, a statement to that effect and the method for calculating the market value, and if the recoverable value is the use value, a statement to that effect and the discount rate thereof.
- (2) The particulars set forth in the items of the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Gains on Reversal of Specified Accounts for Business Combination)

Article 95-3-3 (1) If a gain on the reversal of specified accounts for business combination has arisen, the details and the amount thereof must be set down in the notes, unless they are not material.

- (2) The particulars prescribed in the preceding paragraph are not required to be included when the same contents are to be included in consolidated financial statements. In this case, a statement to that effect must be made.

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

Article 95-4 The amount obtained by adjusting the amount of ordinary income or

the amount of ordinary loss by first adding or subtracting the amount of extraordinary profit, and then adding or subtracting the amount of extraordinary loss must be presented as the amount of net income before tax for the period or the amount of net loss before tax for the period.

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

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

Article 95-5 (1) The amount of the items set forth in the following items must be entered using the account title having a name that indicates the details thereof, immediately after the amount of net income before tax for the period or the amount of net loss before tax for the period:

- (i) the corporate tax, inhabitants tax, and enterprise tax (meaning the enterprise tax imposed on amounts related to the profits as the tax base; the same applies in the following item) for the relevant fiscal year; and
 - (ii) the deferred corporate tax, etc. (meaning adjustments on the corporate tax, inhabitants tax, and enterprise tax set forth in the preceding item, which are recorded by using tax effect accounting).
- (2) The amount obtained by adjusting the amount of net income before tax for the period or the amount of net loss before tax for the period by adding or subtracting the amount of the items set forth in the respective items of the preceding paragraph must be entered as the amount of net income for the period or the amount of net loss for the period.
- (3) If there is the amount of tax to be paid or tax refunded due to a rectification or determination, etc. on corporate tax, etc., their amounts are to be entered using the account title having a name that indicates the details thereof, immediately after the item set forth in paragraph (1), item (i); provided, however, that those amounts may be presented by including them in the amount of the item set forth in paragraph (1), item (i) if they are not material.

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

Article 95-5-2 (1) The per-share amount of net income for the period or per-share amount of net loss for the period, and the basis for its calculation must be set down in the notes.

- (2) If any consolidation of shares or share split has been done during the current fiscal year or after the 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 per-share amount of net income for the period or net loss for the period is calculated by assuming that the consolidation of shares or

- share split has been done at the beginning of the previous business year.
- (3) The particulars prescribed in the preceding two paragraphs are not required to be included when a company submitting financial statements prepares consolidated financial statements.

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

- Article 95-5-3 (1) The diluted per-share amount of net income for the period (meaning the per-share amount of net income for the period that has been calculated by assuming that the rights pertaining to securities or contracts with rights to acquire common shares, rights to request conversion into common shares, or other rights equivalent thereto will be exercised (hereinafter referred to "potential shares"); hereinafter the same applies in this Article) and the basis for its calculation must be stated immediately after the notes under the preceding Article.
- (2) If any consolidation of shares or share split has been done during the current fiscal year or after the balance sheet date, the following particulars must be set down in the notes in addition to the particulars to be included pursuant to the provisions of 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 per-share amount of net income for the period is calculated by 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, if no potential shares exist, if the diluted per-share amount of net income for the period is not less than the per-share amount of net income for the period, or if the amount constitutes the per-share amount of net loss for the period, a statement to that effect must be made, and the diluted per-share amount of net income for the period is not required to be entered.
- (4) The particulars prescribed in the preceding three paragraphs are not required to be included when a company submitting financial statements prepares consolidated financial statements.

Section 7 Miscellaneous Provisions

(Method to Present Cost Variances)

- Article 96 The cost variances recorded based on the cost accounting method adopted by a company submitting financial statements must be included in the cost of sales or in the ending inventory of inventory assets, based on the results processed in accordance with cost accounting standards that are generally accepted as fair and appropriate; provided, however, that those that are found not to have the characteristics of costs are to be entered as non-operating

revenues or non-operating expenses, or as extraordinary profit or extraordinary loss.

(Categories of Additions to Allowances to Be Presented)

Article 98 Additions to allowances must be recorded separately using the account title having a name that indicates the purpose for establishing the allowances and that indicates the additions to the allowances.

(Additions to or Reversal of Reserves Under Special Laws)

Article 98-2 If there has been an addition to or reversal of a reserve, etc., the amount of the addition or reversal must be recorded as an extraordinary loss or extraordinary profit using the account title having a name that indicates that the amount results from the addition or reversal.

Chapter IV Statements of Changes in Net Assets

Section 1 General Provisions

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

Article 99 (1) The methods to make entries in statements of changes in net assets are governed by the provisions of this Chapter.

(2) Entries in statements of changes in net assets are to be made using Form No. 7.

(Categories Presented on Statements of Changes in Net Assets)

Article 100 (1) Entries in statements of changes in net assets must be made after classifying those into shareholders' equity, valuation and translation adjustments, and share options.

(2) Items in a statement of changes in net assets must be classified into appropriate items, and recorded using the account title having a name that indicates the relevant items. Those items and account titles must be consistent with the items and account titles in the net asset section of the balance sheet at the end of the previous business year and at the end of the current fiscal year.

Section 2 Shareholders' Equity

Article 101 (1) Shareholders' equity must be entered after classifying them into the starting balance at the beginning of the current fiscal year, the amount of changes during the current fiscal year, and the ending balance at the end of the current fiscal year.

(2) The change in the amount during the current fiscal year for the account titles

to be entered for shareholders' equity must be entered for each reason for change.

- (3) Dividends of surplus must be presented as a reason for change in other capital surpluses or other retained earnings.
- (4) The amount of net income for the period or the amount of net loss for the period must be presented as a reason for change in other retained earnings.

Article 102 Notwithstanding the provisions of Article 100, paragraph (2), as for other retained earnings, the total amount of other retained earnings may be entered after classifying it into the starting balance at the beginning of the current fiscal year, the amount of changes during the current fiscal year, and the ending balance at the end of the current fiscal year, in lieu of entering those for each account title. In this case, the amount for each account title are to be set down in the notes.

Section 3 Valuation and Translation Adjustments

Article 103 (1) Valuation and translation adjustments must be entered after classifying them into the starting balance at the beginning of the current fiscal year, the change in the amount during the current fiscal year, and the ending balance at the end of the current fiscal year.

- (2) With regard to the account titles entered for valuation and translation adjustments, the change in the amount during the current fiscal year 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 reason for the change.

Article 104 Notwithstanding the provisions of Article 100, paragraph (2), for valuation and translation adjustments, the total amount of valuation and translation adjustments may be entered after classifying it into the starting balance at the beginning of the current fiscal year, the change in the amount during the current fiscal year, and the ending balance at the end of the current fiscal year, in lieu of entering those for each account title. In this case, each amount for each account title are to be set down in the notes.

Section 4 Share Options

Article 105 (1) Share options must be entered after classifying them into the starting balance at the beginning of the current fiscal year, the change in the amount during the current fiscal year, and the ending balance at the end of the current fiscal year.

- (2) The change in the amount of share options during the current fiscal year 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 reason for the change.

Section 5 Particulars to Be Stated in Notes

(Notes on Issued Shares)

Article 106 (1) With regard to the types and the total number of issued shares, the following particulars must be set down in the notes:

- (i) the total number of issued shares at the beginning of the current fiscal year and at the end of the current fiscal year, and the increase or decrease in the number of issued shares during the current fiscal year, for each type of issued shares; and
 - (ii) an outline of the reason for the change for each type of issued shares.
- (2) The particulars set forth in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Treasury Shares)

Article 107 (1) With regard to the types and the total number of treasury shares, the following particulars must be set down in the notes:

- (i) the total number of treasury shares at the beginning of the current fiscal year and at the end of the current fiscal year, and the increase or decrease in the number of treasury shares during the current fiscal year, for each type of treasury shares; and
 - (ii) an outline of the reason for the change for each type of treasury shares.
- (2) The particulars prescribed in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Share Options)

Article 108 (1) With regard to share options, the following particulars must be set down in the notes:

- (i) the types of shares to be offered for the purpose of share options;
 - (ii) the number of shares to be offered for the purpose of share options; and
 - (iii) the ending balance of share options at the end of the fiscal year.
- (2) If share options have been granted as stock options or share options in the company, the particulars set forth in items (i) and (ii) of the preceding paragraph are not required to be included.
- (3) With regard to the number of shares set forth in paragraph (1), item (ii), the

number of shares to be offered for the purpose of share options at the beginning of the current fiscal year and at the end of the current fiscal year, the increase or decrease in the number of shares during the current fiscal year, and an outline of the reason for the change must be entered for each type of shares to be offered for the purpose of share option; provided, however, that the notes may be omitted if the increase in the number of shares assuming that the share options would be exercised constitutes an immaterial proportion of the total number of issued shares (when treasury shares are held, the number of shares after subtracting the number of the treasury shares) at the end of the current fiscal year.

- (4) The provisions of the preceding three paragraphs apply mutatis mutandis to treasury share options.
- (5) The particulars specified in paragraph (1) through the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

(Notes on Dividends)

Article 109 (1) With regard to dividends, the following particulars must be set down in the notes:

- (i) if the property dividend is the cash, the total amount of dividends, the amount of dividends per-share, the reference date, and the effective date for each type of shares;
- (ii) if the property dividend is other than cash, the type and the book value (when the price of the property is set at the market value, on the date of the dividend of surplus, the book value after the price of the property is set at the market value) of the property dividend, the amount of dividends per-share, the reference date, and the effective date for each type of shares; and
- (iii) with regard to a dividend whose reference date is within the current fiscal year and whose effective date will be in the following fiscal year, the source of dividend and the particulars equivalent to those set forth in the preceding two items.
- (2) The particulars set forth in the preceding paragraph are not required to be included when a company submitting financial statements prepares consolidated financial statements.

Section 6 Miscellaneous Provisions

Article 109-2 When a designated corporation prepares a statement of changes in net assets, if it is found inappropriate to include particulars pursuant to this Regulation, the designated corporation may include particulars in an equivalent manner as specified in the provisions of laws, by regulations, or

rules applicable to its financial statements.

Chapter V Cash Flow Statements

Section 1 General Provisions

(Methods to Make Entries in Cash Flow Statements)

Article 110 (1) The methods to make entries in a cash flow statement are governed by the provisions of this Chapter.

(2) Entries in a cash flow statement are to be made using Form No. 8 or Form No. 9.

(Companies That are Required to Prepare Cash Flow Statement)

Article 111 A cash flow statement is to be prepared by a company that does not prepare consolidated financial statements.

(Categories Presented on Cash Flow Statement)

Article 112 In a cash flow statement, cash flow situation must be stated for the following categories:

- (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) increases or decreases in cash and cash equivalents;
- (vi) the beginning balances of cash and cash equivalents; and
- (vii) the ending balances of cash and cash equivalents.

Section 2 Methods to Make Entries in Cash Flow Statements

(Methods to Present Cash Flows from Operating Activities)

Article 113 In the categories of cash flows from operating activities set forth in item (i) of the preceding Article, the cash flows from transactions based on which operating income or operating loss were calculated and the cash flows from transactions other than investment activities and financing activities must be recorded using the account title having a name that indicates the contents thereof, in either of the following methods; provided, however, that the cash flows of which amount is small and that is found appropriate to be presented collectively may be recorded collectively using an account title having an appropriate name:

- (i) the method to present the total amount of cash flow in each major transaction by classifying the cash flows into operating income, payments for the purchase of raw materials or merchandise, payment of personnel

- expenses, and other items that are found appropriate,; or
- (ii) the method to present the amount obtained by adding or subtracting the following items to or from the amount of net income before tax for the period or the amount of net loss before tax for the period:
 - (a) any items recorded as revenues or expenses on a profit and loss statement that are not associated with an increase or decrease in funds;
 - (b) the increase or decrease in assets or liabilities that have arisen from trade receivables, inventory assets, trade payables, or any other operating activities; and
 - (c) any items recorded as revenues or expenses on a profit and loss statement that are included in the category of cash flows from investment activities and cash flows from financing activities.

(Methods to Present Cash Flows from Investment Activities)

Article 114 In the category of cash flows from investment activities set forth in Article 112, item (ii), payments for the acquisition of securities (excluding cash equivalents, etc.; hereinafter the same applies in this Article), proceeds from the sale of securities, payments for the acquisition of tangible fixed assets, proceeds from the sale of tangible fixed assets, payments for the acquisition of investment securities, proceeds from the sale of investment securities, loan payments, proceeds from the collection of loans, and any other cash flows from investment activities must be recorded using the account title having a name that indicates the contents thereof, by presenting the total amount of cash flows for each major transaction; provided, however, that the cash flows which are small in amount and are found appropriate to be presented collectively may be recorded collectively using the account title having an appropriate name.

(Methods to Present Cash Flows from Financing Activities)

Article 115 In the category of cash flows from financing activities set forth in Article 112, item (iii), proceeds from short-term borrowings, payments for the repayment of short-term borrowings, proceeds from long-term borrowings, payments for the repayment of long-term borrowings, proceeds from the issuance of corporate bonds, payments for the redemption of corporate bonds, proceeds from the issuance of shares, payments for the acquisition of treasury shares, and any other cash flows from financing activities must be recorded using the account title having a name that indicates the contents thereof, by presenting the total amount of cash flow for each major transaction; provided, however, that the cash flows which are small in amount and are found appropriate to be presented collectively may be recorded collectively using the account title having an appropriate name.

(Entry of Translation Adjustments for Cash and Cash Equivalents)

Article 116 (1) In the category of translation adjustments for cash and cash equivalents as set forth in Article 112, item (iv), the difference that occurs when the fund in foreign currency is converted into yen is to be entered.

(2) In the category of increases or decreases in cash and cash equivalents as set forth in Article 112, item (v), the amount obtained by adding or subtracting the difference that occurs when the fund in foreign currency is converted into yen as prescribed in the preceding paragraph to or from the sum of the remaining balance of income and expenditures of cash flows from operating activities, cash flows from investment activities, and cash flows from financing activities is to be entered.

Section 3 Miscellaneous Provisions

(Methods to Present Cash Flows from Interests and Dividends)

Article 117 cash flows pertaining related to interests and dividends are to be entered by using either of the following methods:

- (i) the method to enter the amount of interest and dividends received and the amount of interest paid in the category of cash flows from operating activities set forth in Article 112, item (i) and enter the amount of dividends paid in the category of cash flows from financing activities set forth in item (iii) of that Article; or
- (ii) the method to enter the amount of interest and dividends received under the category of cash flows from investment activities set forth in Article 112, item (ii) and enter the amount of interest and dividends paid under the category of cash flows from financing activities set forth in item (iii) of that Article.

(Methods to Present Cash Flows Related to Takeover or Transfer of Business or Merger for Which Cash or Cash Equivalents were Used)

Article 118 Cash flows related to a takeover or transfer of business or a merger, etc. for which cash or cash equivalents were used must be recorded using the account title having a name that indicates the contents thereof, in the category of cash flows from investment activities as set forth in Article 112, item (ii).

(Particulars to Be Stated in Notes in Cash Flow Statement)

Article 119 (1) The following particulars must be set down in the notes in a cash flow statement; provided, however, that the notes may be omitted for the particulars set forth in item (ii) if the amount of assets or liabilities prescribed in that item is not material:

- (i) the relationship between the ending balances of cash and cash equivalents

- and the amount for the account titles recorded in the balance sheet;
- (ii) in case of a takeover or transfer of business or a merger, etc. for which cash or cash equivalents consideration has been paid, the increase or decrease in the major components of the assets and liabilities due to the takeover or transfer of business or the merger, etc.; and
 - (iii) the details of material non-cash transactions.
- (2) The non-cash transactions set forth in item (iii) of the preceding paragraph means the exercise of share options attached to corporate bonds with share options in exchange for redemption of the corporate bonds, acquisition of assets (excluding cash and cash equivalents) through the issuance, etc. of shares, a merger, or any other transactions in which there is no increase or decrease in funds, and that have significant influence on cash flow in and after the following fiscal year.

Chapter VI Supplementary Schedules

(Methods to Make Entries in Supplementary Schedule)

Article 120 The methods to make entries in a supplementary schedule are governed by the provisions of this Chapter.

(Types of Supplementary Schedules)

Article 121 (1) The types of supplementary schedules are as follows:

- (i) a schedule of securities;
 - (ii) a schedule of tangible fixed assets, etc.;
 - (iii) a schedule of corporate bonds;
 - (iv) a schedule of borrowings, etc.;
 - (v) a schedule of allowances; and
 - (vi) a schedule of asset retirement obligations.
- (2) The forms for the supplementary schedules set forth in the items of the preceding paragraph are as specified in Form No. 10 through Form No. 15.
- (3) A company submitting financial statements (limited to an issuer of the securities set forth in Article 24, paragraph (1), item (i) or (ii) of the Financial Instruments and Exchange Act) is not required to prepare the schedule of securities set forth in paragraph (1), item (i) (excluding the cases prescribed in the following Article and Article 123, item (i)).
- (4) The supplementary schedules set forth in paragraph (1), items (iii), (iv), and (vi) are not required to be prepared when a company submitting financial statements prepares consolidated financial statements (excluding the cases prescribed in the following Article and Article 123, item (i)).

(Supplementary Schedules to Be Submitted by Company Engaged in Specified

Business)

Article 122 The terminology, forms, and preparation methods for supplementary schedules to be submitted, pursuant to the provisions of the Act, by the stock companies or designated corporations engaged in a business specified separately that are set forth in the following items are governed by the provisions of the respective items; provided, however, that the supplementary schedules set forth in paragraph (1), items (iii), (iv), and (vi) of the preceding Article and supplementary schedules equivalent thereto are not required to be prepared when the stock company or designated corporation prepares consolidated financial statements:

- (i) a stock company to which the Regulation for Enforcement of the Construction Business Act (Ministry of Construction Order No. 14 of 1949), the Cabinet Office Order on Financial Instruments Services (Cabinet Office Order No. 52 of 2007), the Regulation on Accounting for the Railway Industry, or the Regulation on Accounting in the Motorway Industry is applicable, is to prepare the supplementary schedules set forth in the items of paragraph (1) of the preceding Article using the forms specified in paragraph (2) of that Article;
- (ii) a stock company to which the Regulation for Enforcement of the Banking Act (Ministry of Finance Order No. 10 of 1982), the Regulation for Enforcement of the Long-Term Credit Bank Act (Ministry of Finance Order No. 13 of 1982), the Regulation for Enforcement of the Shoko Chukin Bank Limited Act Related to the Ministry of Economy, Trade and Industry, the Ministry of Finance, and the Cabinet Office (Order of the Cabinet Office, the Ministry of Finance, and the Ministry of Economy, Trade and Industry No. 1 of 2008), the Ministerial Order on Accounting at the Japan Finance Corporation (Order of the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Economy, Trade and Industry No. 3 of 2008), Ministerial Order on Accounting at the Development Bank of Japan, Inc. (Ministry of Finance Order No. 60 of 2008), or Ministerial Order on Accounting at the Japan Bank for International Cooperation (Ministry of Finance Order No. 15 of 2012), and designated corporations subject to the application of the Regulation for Enforcement of the Norinchukin Bank Act (Order of the Cabinet Office and the Ministry of Agriculture, Forestry and Fisheries No. 16 of 2001), the Regulation for Enforcement of the Act on Financial Services by Cooperatives (Ministry of Finance Order No. 10 of 1993), the Regulation for Enforcement of the Shinkin Bank Act (Ministry of Finance Order No. 15 of 1982), or the Regulation for Enforcement of the Labor Bank Act (Order of the Ministry of Finance and the Ministry of Labour No. 1 of 1982) are applicable, is to prepare the supplementary schedules set forth in paragraph (1), items

- (ii) through (vi) of the preceding Article using the forms specified in paragraph (2) of that Article;
- (iii) a stock company to which the Rules on Financial Statements in the Shipping Industry (Public Notice of the Ministry of Transport No. 431 of 1954) are applicable, is to prepare a schedule of shipping revenues and expenses specified by those rules, and also is to prepare the supplementary schedules set forth in the items of paragraph (1) of the preceding Article using the forms specified in paragraph (2) of that Article;
- (iv) a stock company to which the Regulation for Enforcement of the Act on Guaranty Service Related to Advance Payment of Public Works (Ministry of Construction Order No. 23 of 1952) is applicable, is to prepare a schedule of securities and a schedule of trust securities specified by that Regulation, and also is to prepare the supplementary schedules set forth in paragraph (1), items (ii) through (vi) of the preceding Article using the forms specified in paragraph (2) of that Article; provided, however, that the types and names of securities to be entered in the schedule of securities and the schedule of trust securities may be entered by summarizing them by the type of business of the issuing companies in the case of shares, and may be entered by summarizing them by the type of securities prescribed in Article 2, paragraph (1) of the Act in the case of any other securities;
- (v) a stock company or a designated corporation to which the Regulation for Enforcement of the Insurance Business Act (Ministry of Finance Order No. 5 of 1996) is applicable, is to prepare a schedule of business expenses using the form specified by that Regulation, and also is to prepare the supplementary schedules set forth in paragraph (1), items (ii) through (vi) of the preceding Article using the forms specified in paragraph (2) of that Article, and a stock company to which the Ministerial Order on Accounting of the Nippon Export and Investment Insurance, Co., Ltd. (Order of the Ministry of Economy, Trade and Industry No. 27 of 2017) are applicable, is to prepare the supplementary schedules set forth in the items of paragraph (1) of the preceding Article using the forms specified in paragraph (2) of that Article;
- (vi) a stock company to which the Regulation on Accounting in Telecommunications Services is applicable, is to prepare the following supplementary schedules from among those prescribed in that Regulation, and also is to prepare the supplementary schedules set forth in paragraph (1), items (iv) and (vi) of the preceding Article using the forms specified in paragraph (2) of that Article:
 - (a) a schedule of fixed assets, etc.;
 - (b) a schedule of securities;
 - (c) a schedule of corporate bonds;
 - (d) a schedule of allowances; and

- (e) a schedule of asset retirement obligations;
- (vi)-2 a stock company subject to which the Regulation on Gas Utility Accounting is applicable, is to prepare the following supplementary schedules from among those prescribed in that Regulation, and also is to prepare the supplementary schedules set forth in paragraph (1), items (iii), (iv) and (vi) of the preceding Article using the forms specified in paragraph (2) of that Article:
 - (a) a schedule of fixed assets, etc.;
 - (b) a schedule of securities; and
 - (c) a schedule of allowances;
- (vii) a stock company subject to which the Regulation on Electric Utility Accounting is applicable, is to prepare the following supplementary schedules from among those prescribed in that Regulation, and also is to prepare the supplementary schedules set forth in paragraph (1), item (vi) of the preceding Article using the forms specified in paragraph (2) of that Article:
 - (a) a schedule of changes in fixed assets during the period;
 - (b) a schedule of changes in fixed assets during the period (repost intangible fixed assets);
 - (c) a schedule of depreciation/amortization expenses, etc.;
 - (d) a schedule of long-term investments and short-term investments;
 - (e) a schedule of corporate bonds;
 - (f) a schedule of borrowings, long-term accrued liabilities, lease obligations, other fixed liabilities, and commercial papers; and
 - (g) a schedule of allowances;
- (viii) a specified purpose company to which the Regulation on Accounting at Specified Purpose Companies (Cabinet Office Order No. 44 of 2006) is applicable, is to prepare the supplementary schedules set forth in the items of paragraph (1) of the preceding Article using the forms specified in paragraph (2) of that Article; provided, however, that if the supplementary schedule set forth in paragraph (1), item (ii) of that Article is prepared using the form specified in paragraph (2) of that Article, it is to be prepared as a schedule of specified assets and tangible fixed assets, etc., by including the specified assets (meaning the specified assets prescribed in Article 2, paragraph (1) of the Asset Securitization Act; hereinafter the same applies in this item and item (i) of the following Article) therein;
- (ix) an investment corporation to which the Regulation on Accounting for Investment Corporations (Cabinet Office Order No. 47 of 2006) is applicable, is to prepare a schedule of securities, a list of the contract amounts, etc. of derivatives transactions and forward exchange transactions and the market value thereof, the summary list from among the schedule of real property,

- etc., a schedule of other specified assets (meaning specified assets prescribed in Article 2, paragraph (1) of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951); the same applies in item (ii) of the following Article), a schedule of investment corporation bonds, and a schedule of borrowings using the forms specified by that Regulation;
- (x) a stock company or a designated corporation subject to which the Cabinet Office Order on Account Management of Specified Finance Companies is applicable, is to prepare the supplementary schedules set forth in items of paragraph (1) of the preceding Article using the forms specified in paragraph (2) of that Article; provided, however, that if it falls under any of the stock companies or designated corporations set forth in the preceding items, it is to prepare supplementary schedules in an equivalent manner as specified in the respective items;
- (xi) a stock company to which the Regulation on Accounting in the Expressway Industry, etc. is applicable, is to prepare a schedule of fixed assets, etc. and a schedule of changes in corporate bonds, long-term borrowings, and short-term borrowings from among supplementary schedules specified in that Regulation, and also is to prepare the supplementary schedules set forth in paragraph (1), item (i), paragraphs (v) and (vi) of the preceding Article using the forms specified in paragraph (2) of that Article;
- (xii) a medical corporation to which the Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements for social medical corporations that issue social medical corporation bonds is applicable, is to prepare the following supplementary schedules from among those prescribed in that Regulation, and also is to prepare the supplementary schedule set forth in paragraph (1), item (vi) of the preceding Article using the form specified in paragraph (2) of that Article:
- (a) a schedule of securities;
 - (b) a schedule of tangible fixed assets, etc.;
 - (c) a schedule of social medical care corporation bonds;
 - (d) a schedule of borrowings, etc.; and
 - (e) a schedule of allowances; and
- (xiii) an incorporated educational institution, etc. (meaning an incorporated educational institution as prescribed in Article 3 of the Private Schools Act (Act No. 270 of 1949) and a corporation as prescribed in Article 64, paragraph (4) of that Act; the same applies in Appended List No. 21) to which the Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements for Incorporated Educational Institutions That Issue Securities is applicable, is to prepare the following supplementary schedules from among those prescribed in that Regulation, and also is to prepare the supplementary schedule set forth in paragraph (1), item (vi) of the preceding

Article using the form specified in paragraph (2) of that Article:

- (a) a schedule of tangible fixed assets, etc.;
- (b) a schedule of securities;
- (c) a schedule of specified assets;
- (d) a schedule of school bonds;
- (e) a schedule of borrowings, etc.; and
- (f) a schedule of allowances.

(Supplementary Schedule of Specified Trust Property)

Article 123 The terminology, forms, and preparation methods for supplementary schedule of specified trust property are governed by the following items:

- (i) with regard to specified trust property to which the special purpose trust property accounting regulations are applied, the supplementary schedules set forth in the items of Article 121, paragraph (1) are to be prepared using the forms specified in paragraph (2) of that Article; provided, however, that if the supplementary schedule set forth in paragraph (1), item (ii) of that Article is prepared by using the form specified in paragraph (2) of that Article, it is to be prepared as a schedule of specified assets and tangible fixed assets, etc., by including specified assets therein; and
- (ii) with regard to specified trust property to which the investment trust property accounting regulations are applied, a schedule of securities, a list of the contract amounts, etc. of derivatives transactions and forward exchange transactions and the market value thereof, a schedule of real property, etc., a schedule of other specified assets, and a schedule of borrowings are to be prepared using the forms specified by the investment trust property accounting regulations.

(Preparation of Supplementary Schedules That may Be Omitted)

Article 124 If the amount of securities is not more than one percent of the total amount of assets, preparation of the supplementary schedule set forth in Article 121, paragraph (1), item (i) may be omitted.

Article 125 If the amount of short-term borrowings, long-term borrowings, lease obligations, and other liabilities for which interest must be paid at the beginning of the relevant fiscal year or the end of the relevant fiscal year (excluding corporate bonds) are not more than one percent of the sum of liabilities and net assets at the beginning of the relevant fiscal year or the end of the relevant fiscal year, preparation of the supplementary schedule set forth in Article 121, paragraph (1), item (iv) may be omitted.

Article 125-2 If the amount of asset retirement obligations at the beginning of

the relevant fiscal year or the end of the relevant fiscal year is not more than one percent of the sum of liabilities and net assets at the beginning of the relevant fiscal year or the end of the relevant fiscal year, preparation of the supplementary schedule set forth in Article 121, paragraph (1), item (vi) may be omitted.

Article 126 If the preparation of any supplementary schedule has been omitted pursuant to the provisions of Article 124 or Article 125, a statement to that effect must be set down in the notes.

Chapter VII Financial Statements of Special Companies Submitting Financial Statements

(Standards for Preparation of Financial Statements of Special Companies Submitting Financial Statements)

Article 127 (1) Notwithstanding the provisions of the preceding Chapters, the forms specified in the following items may be used for preparation of the financial statements to be prepared by a special company submitting financial statements, according to the categories specified in the following items:

- (i) the balance sheet: Form No. 5-2;
- (ii) the profit and loss statement: Form No. 6-2;
- (iii) the statement of changes in net assets: Form No. 7-2;
- (iv) the schedule of tangible fixed assets, etc.: Form No. 11-2; and
- (v) the schedule of allowances: Form No. 14-2.

(2) Notwithstanding the provisions set forth in the following items, a special company submitting financial statements may state the particulars in notes specified in the the relevant items in lieu of the notes specified in the provisions set forth in those items:

- (i) Article 8-2: the particulars set forth in items of Article 101 of the Company Accounting Rules (Ministry of Justice Order No. 13 of 2006) (excluding immaterial particulars);
- (ii) Article 8-3-4: the particulars set forth in items of Article 102-3, paragraph (1) of the Company Accounting Rules (excluding immaterial particulars);
- (iii) Article 8-3-5: the particulars set forth in items of Article 102-4 of the Company Accounting Rules (excluding immaterial particulars);
- (iv) Articles 18 and 32-2: the particulars set forth in Article 103, item (ix) of the Company Accounting Rules;
- (v) Articles 39 and 55: the particulars set forth in Article 103, item (vi) of the Company Accounting Rules;
- (vi) Article 43: the particulars set forth in Article 103, item (i) of the Company Accounting Rules;

- (vii) Article 58: the particulars set forth in Article 103, item (v) of the Company Accounting Rules; and
- (viii) Articles 74, 88, 91, and 94: the total volume of trade in business transactions with affiliated companies prescribed in Article 104 of the Company Accounting Rules.

(Statement That the Company Falls Under Special Company Submitting Financial Statements)

Article 128 When a special company submitting financial statements has prepared financial statements pursuant to the provisions of preceding Article, the following particulars must be included:

- (i) a statement that the company falls under a special company submitting financial statements; and
- (ii) a statement that the financial statements are prepared pursuant to the provisions of preceding Article.

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

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

Article 129 (1) The terminology, forms, and preparation methods of financial statements submitted by a specified company complying with designated international accounting standards are governed by the provisions of Chapters I through VI.

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

(Notes on Special Provisions for Accounting Standards)

Article 130 The following particulars must be set down in the notes in the financial statements prepared according to the designated international accounting standards:

- (i) if the designated international accounting standards are the same as the international accounting standards (meaning the international accounting standards prescribed in Article 93 of the Regulation on Consolidated Financial Statements; hereinafter the same applies in this item and the following item), a statement that financial statements are prepared according to the international accounting standards;
- (ii) if the designated international accounting standards are different from the

- international accounting standards, a statement that the financial statements are prepared according to 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 IX Financial Documents of Foreign Companies

(Standards for Preparation of Financial Documents of Foreign Companies)

- Article 131 (1) If the Commissioner of the Financial Services Agency gives the approval for a foreign company to submit the financial documents as the documents on financial accounting that are disclosed in its home country (including the state or any other region where the company is headquartered; the same applies hereinafter), as those that may not impair the public interest or the protection of the investors, the terminology, forms, and preparation methods of financial documents are to be, except for the particulars that the Commissioner of the Financial Services Agency finds necessary and gives instructions on, the terminology, forms, and preparation methods used in the home country.
- (2) If the documents on financial accounting that a foreign company discloses in its home country 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 gives the approval for the foreign company to submit the documents on financial accounting that it discloses in an area outside Japan other than its home country as financial documents, as those that may not impair the public interest or the protection of the investors, the terminology, forms, and preparation methods of the financial documents are to be, except for the particulars that the Commissioner of the Financial Services Agency finds necessary and gives instructions on those, governed by laws on the terminology, forms, and preparation methods used in the region outside Japan other than its home country.
- (3) If a foreign company that has been approved by the Commissioner of the Financial Services Agency to submit the documents on financial accounting that has been disclosed in the region outside Japan as financial documents pursuant to the provisions of the preceding two paragraphs, submits documents on financial accounting other than those that have been disclosed in that region, as financial documents, the terminology, forms, and preparation methods of the documents on financial accounting are to be in accordance with the instructions of the Commissioner of the Financial Services Agency.
- (4) If the documents on financial accounting that have been disclosed by a foreign company in its home country or any other region outside Japan are not

approved by the Commissioner of the Financial Services Agency as those under paragraph (1) or paragraph (2), the terminology, forms, and preparation methods of financial documents to be submitted by the foreign company are to be in accordance with the instructions of the Commissioner of the Financial Services Agency.

- (5) Notwithstanding the provisions of the preceding paragraphs, the terminology, forms, and preparation methods of financial documents submitted by a foreign company that issues regulated securities (meaning regulated securities as prescribed in Article 5, paragraph (1) of the Act) regarding those 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 accounting prepared in its home country as financial documents, as those may not impair the public interest or the protection of the investors, the terminology, forms, and preparation methods of financial documents are to be, except for the particulars that the Commissioner of the Financial Services Agency finds necessary and gives instructions on those, governed by laws on the terminology, forms, and preparation methods used in the home country.

(Notes on Accounting Standards)

Article 132 If any accounting principles or procedures among those adopted by a foreign company with regard to financial documents under paragraphs (1) through (4) of the preceding Article are different from accounting principles and procedures in Japan, the details thereof must be set down in the notes in the financial documents.

(Presentation Methods)

Article 133 (1) The provisions of Article 5, paragraph (2) and Article 8-3, item (ii) apply mutatis mutandis to financial documents submitted by a foreign company.

- (2) If any of the methods to present the financial documents submitted by a foreign company is different from the presentation methods used in Japan, the details thereof must be set down in the notes in the financial documents.

(Presentation of Monetary Amounts)

Article 134 If the account titles and any other particulars set down in financial documents submitted by a foreign company are presented in monetary amounts in a currency other than Japanese currency, the amount of major particulars that have been translated into Japanese currency are also to be entered. In this case, the translation standards adopted when the currency was translated

into Japanese currency must be set down in the notes in the financial documents.

(Methods to State Notes)

Article 135 (1) The notes to be included pursuant to the provisions of Article 132, Article 133, paragraph (2) and the preceding Article must be included as footnotes; provided, however, that notes that are found inappropriate to be included as footnotes may be included in any other appropriate part.

(2) The provisions of Article 9, paragraph (3) apply mutatis mutandis to the case where the particulars are stated in the notes pursuant to the provisions of Article 132 and Article 133, paragraph (2).