

Regulations for Corporate Accounting

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

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

Part I General Provisions

(Purpose)

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

(Definitions)

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

respectively.

- (2) In this Ministerial Order, the meanings of the terms stated in the following items are as prescribed respectively in those items:
- (i) "issued shares" means issued shares as provided in Article 2, item (xxxi) of the Act;
 - (ii) "electronic or magnetic means" means electronic or magnetic means as provided in Article 2, item (xxxiv) of the Act;
 - (iii) "shares issued at incorporation" means shares issued at incorporation as provided in Article 25, paragraph (1), item (i) of the Act;
 - (iv) "electronic or magnetic records" means the electronic or magnetic records as provided in Article 26, paragraph (2) of the Act;
 - (v) "treasury shares" means treasury shares as provided in Article 113, paragraph (4) of the Act;
 - (vi) "parent company shares" means a parent company's shares as provided in Article 135, paragraph (1) of the Act;
 - (vii) "monies, etc." means the monies, etc. as provided in Article 151, paragraph (1) of the Act;
 - (viii) "shares subject to class-wide call" means shares subject to class-wide call as provided in Article 171, paragraph (1) of the Act;
 - (ix) "allotment of shares without contribution" means the allotment of shares without contribution as provided in Article 185 of the Act;
 - (x) "demand for the sale of shares less than one unit" means a demand for the sale of shares less than one unit as provided in Article 194, paragraph (1) of the Act;
 - (xi) "shares for subscription" means shares for subscription as provided in Article 199, paragraph (1) of the Act;
 - (xii) "share options for subscription" means share options for subscription as provided in Article 238, paragraph (1) of the Act;
 - (xiii) "own share options" means a stock company's own share options as provided in Article 255, paragraph (1) of the Act;
 - (xiv) "share options subject to call" means share options subject to call as provided in Article 273, paragraph (1) of the Act;
 - (xv) "allotment of share options without contribution" means the allotment of share options without contribution as provided in Article 277 of the Act;
 - (xv)-2 "measures for electronic provision" means a measures for electronic provision as provided in Article 325-2 of the Act;
 - (xvi) "remunerations" means remunerations as provided in Article 361, paragraph (1) of the Act;
 - (xvii) "provisional financial statements" means provisional financial statements as provided in Article 441, paragraph (1) of the Act;
 - (xviii) "provisional account closing day" means a provisional account closing

- day as provided in Article 441, paragraph (1) of the Act;
- (xix) "consolidated financial statements" means consolidated financial statements as provided in Article 444, paragraph (1) of the Act;
- (xx) "reserves" means reserves as provided in Article 445, paragraph (4) of the Act;
- (xxi) "distributable amount" means the distributable amount as provided in Article 461, paragraph (2) of the Act;
- (xxii) "membership company" means a membership company as provided in Article 575, paragraph (1) of the Act;
- (xxiii) "partnership interest refund amount" means the partnership interest refund amount as provided in Article 635, paragraph (1) of the Act;
- (xxiv) "membership company after entity conversion" means a membership company after entity conversion as provided in Article 744, paragraph (1), item (i) of the Act;
- (xxv) "stock company after entity conversion" means a stock company after entity conversion as provided in Article 746, paragraph (1), item (i) of the Act;
- (xxvi) "bonds, etc." means bonds, etc. as provided in Article 746, paragraph (1), item (vii), (d) of the Act;
- (xxvii) "company succeeding in the absorption-type split" means a company succeeding in the absorption-type split in Article 757 of the Act;
- (xxviii) "company splitting in the absorption-type split" means a company splitting in the absorption-type split as provided in Article 758, item (i) of the Act;
- (xxix) "company incorporated in the incorporation-type split" means a company incorporated in the incorporation-type split as provided in Article 763 paragraph (1) of the Act;
- (xxx) "company splitting in the incorporation-type split" means the company splitting in the incorporation-type split as provided in Article 763, paragraph (1), item (v) of the Act and
- (xxxi) "share options, etc." means share options, etc. as provided in Article 774-3, paragraph (1), item (vii) of the Act.
- (3) In this Ministerial Order, the meanings of the terms stated in the following items are prescribed respectively in those items:
- (i) "most recent business year" means the most recent business year as provided for in the following (a) or (b) in accordance with the categories of companies stated in (a) or (b):
- (a) stock companies: the most recent business year as provided in Article 2, item (xxiv) of the Act;
- (b) membership companies: if financial statements concerning each business year have been prepared, the most recent among those business years;

- (ii) "financial statements" means financial statements as provided in the following (a) or (b), in accordance with the categories of companies stated in (a) or (b):
 - (a) stock companies: the financial statements as provided in Article 435, paragraph (2) of the Act;
 - (b) membership companies: the financial statements as provided in Article 617, paragraph (2) of the Act;
- (iii) "accounting documents" means the following items:
 - (a) the balance sheet on the date of formation;
 - (b) the financial statements and its attached detailed statements concerning each business year;
 - (c) provisional financial statements;
 - (d) consolidated financial statements;
- (iv) "absorption-type merger" means the absorption-type merger (including one in which a company merges with a corporation which is not a company, and the company survives the merger) as provided in Article 2, item (xxvii) of the Act;
- (v) "consolidation-type merger" means the consolidation-type merger (including one in which a company merges with a corporation which is not a company, and the company is incorporated in the merger) as provided in Article 2, item (xxviii) of the Act;
- (vi) "share exchange" means a share exchange (including a share exchange upon entity conversion as provided in Article 96-5, paragraph (1) of the Insurance Business Act (Act No. 105 of 1995)) as provided in Article 2, item (xxxi) of the Act;
- (vii) "share transfer" means a share transfer (including a share transfer upon entity conversion as provided in Article 96-8, paragraph (1) of the Insurance Business Act) as provided in Article 2, item (xxxii) of the Act;
- (viii) "share delivery" means a share delivery provided in Article 2, item (xxxii)-2 of the Act (including a share delivery on entity conversion as provided in Article 96-9-2, paragraph (1) of the Insurance Business Act);
- (ix) "company surviving absorption-type merger" means any company surviving the absorption-type merger (including a company that survives after the absorption-type merger with a corporation which is not a company) as provided in Article 749, paragraph (1) of the Act;
- (x) "company disappearing in the absorption-type merger" means any company disappearing in the absorption-type merger (including a corporation which is not a company that disappears in the absorption-type merger with a corporation which is not a company) as provided in Article 749, paragraph (1), item (i) of the Act;
- (xi) "company incorporated in the consolidation-type merger" means any

- company incorporated in the consolidation-type merger (including a company that is incorporated through the consolidation-type merger with a corporation which is not a company) as provided in Article 753, paragraph (1) of the Act;
- (xii) "company disappearing in the consolidation-type merger" means any company disappearing in the consolidation-type merger (including a corporation which is not a company that disappears in the consolidation-type merger with a corporation which is not a company) as provided in Article 753, paragraph (1), item (i) of the Act;
- (xiii) "wholly owning parent company resulting from a share exchange" means any wholly owning parent company resulting from a share exchange (including the wholly owning parent company resulting from a share exchange on entity conversion as provided in Article 96-5, paragraph (2) of the Insurance Business Act) as provided in Article 767 of the Act;
- (xiv) "wholly owned subsidiary company resulting from a share exchange" means any wholly owned subsidiary company resulting from a share exchange (including a stock company for which all of whose shares are acquired by the wholly owning parent company resulting from the share exchange on entity conversion as provided in Article 96-5, paragraph (2) of the Insurance Business Act) as provided in Article 768, paragraph (1), item (i) of the Act;
- (xv) "wholly owning parent company incorporated in a share transfer" means the wholly owning parent company incorporated in a share transfer (including the wholly owning parent company incorporated in a share transfer on entity conversion as provided in Article 96-9, paragraph (1), item (i) of the Insurance Business Act) as provided in Article 773, paragraph (1), item (i) of the Act;
- (xvi) "wholly owned subsidiary company resulting from a share transfer" means a wholly owned subsidiary company resulting from a share transfer (including a stock company for which all of whose issued shares are to be acquired by the wholly owning parent company incorporated in a share transfer on entity conversion as provided in Article 96-9, paragraph (1), item (i) of the Insurance Business Act) as provided in Article 773, paragraph (1), item (v) of the Act;
- (xvii) "share delivery parent company" means a share delivery parent company provided in Article 774-3, paragraph (1), item (i) of the Act (including a mutual company implementing a share delivery on entity conversion as provided in Article 96-9-2, paragraph (1) of the Insurance Business Act);
- (xviii) "share delivery subsidiary" means a share delivery subsidiary provided in Article 774-3, paragraph (1), item (i) of the Act (including a subsidiary company implementing a share delivery on entity conversion as provided in

- Article 96-9-2, paragraph (2) of the Insurance Business Act);
- (xix) "company, etc." means a company (including a foreign company), partnership (including entities equivalent to a partnership in foreign countries), or other business entities equivalent to those;
 - (xx) "shareholders, etc." means shareholders and members of membership companies, and other similar persons;
 - (xxi) "affiliated company" means another company, etc. (excluding a subsidiary company), when a company can exert material impact on that other company's decisions on financial and business policies;
 - (xxii) "consolidated subsidiary company" means a subsidiary company that falls within the scope of a consolidation;
 - (xxiii) "unconsolidated subsidiary company" means a subsidiary company that is outside the scope of a consolidation;
 - (xxiv) "consolidated company" means the relevant stock company and its consolidated subsidiary companies;
 - (xxv) "associated company" means a company that is the relevant stock company's parent company, subsidiary companies affiliated companies, as well as a company, etc. for which the relevant stock company is an affiliated company;
 - (xxvi) "means of adjusting equity" means the method used by an investing company to amend the amount of its investment in another company each business year due to changes in the portion owned by the investing company with regard to the net assets, profits and losses of the other company;
 - (xxvii) "tax effect accounting" means, when there is a variance between the amounts of assets and liabilities recorded in the balance sheet or the consolidated balance sheet and the amounts of assets and liabilities that are the results of the calculation of taxable income, accounts processing for the purposes of reasonably homologizing the amount of net profit for the current period before corporation tax, etc. (meaning corporation tax, residents tax and business tax (meaning business tax subject to a tax base which is an amount affiliated with profit); the same applies below) is deducted, and the amount of corporation tax, etc., through appropriate period allocation of the amount of corporation tax, etc. concerning the variance;
 - (xxviii) "hedge accounting" means accounts processing for the purposes of recognizing, in that accounting period, profit and loss concerning hedging instruments (meaning transactions that aim to abate the risk of loss due to price fluctuations, interest rate fluctuations and currency exchange rate fluctuations concerning assets (including those which are reliably expected to occur in future transactions; the same applies below in this item) or liabilities (including those which are reliably expected to occur in future transactions; the same applies below in this item), or derivative transactions,

- and which are recognized as abating the risk of that loss; the same applies below) and profit and loss concerning hedging instrument subjects (meaning assets, or liabilities, or derivative transactions that are the subjects of hedging instruments);
- (xxix) "trading securities" means securities held for the purpose of financial gain through changes in market value;
- (xxx) "bond certificates held to maturity" means bond certificates held with the intention of ownership until maturity (limited to those that have been acquired with the intention of ownership until maturity);
- (xxxix) "reacquired bonds" means a company's bonds that the company itself holds;
- (xxxix) "tender offer, etc." means a tender offer as provided in Article 27-2, paragraph (6) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (including as applied mutatis mutandis pursuant to Article 27-22-2, paragraph (2) of that Act), and systems based on foreign laws and regulations which corresponds to those;
- (xxxix) "shareholders' equity, etc." means the stated capital, capital surplus and retained earnings of a stock company or membership company;
- (xxxix) "share award right" means the right of a director or executive officer to receive the delivery of shares of a stock company in consideration for services rendered to the stock company in the course of execution of duties (excluding share options);
- (xxxix) "acquisition of control" means a first company's acquisition of control over a second company (excluding when the first company and the second company are under common control; the same applies below in this item) or the second company's business;
- (xxxix) "under common control" means a relationship in which two or more persons (including those without legal personality; the same applies below in this item) are controlled by that person (excluding temporary control; the same applies below in this item), or a relationship in which, among two or more persons, one of the persons controls all other persons;
- (xxxix) "absorption-type restructuring" means the acts stated below:
- (a) absorption-type merger;
 - (b) absorption-type company split;
 - (c) share exchange; and
 - (d) share delivery.
- (xxxix) "acts of acceptance related to absorption-type restructuring" means the acts stated below:
- (a) assumption of all of the rights and obligations of a company disappearing in the absorption-type merger through the absorption-type merger;
 - (b) assumption of all or part of the rights and obligations that a company

- splitting in the absorption-type split has related to its business through the absorption-type company split;
- (c) acquisition of all of the issued shares of a wholly owned subsidiary company resulting from a share exchange through a share exchange; and
 - (d) acquisition of shares or share options, etc. of a share delivery subsidiary upon a share delivery.
- (xxxix) "property subject to absorption-type restructuring" means property as provided in the following (a) or (b) in accordance with the categories of absorption-type restructuring stated in (a) or (b):
- (a) absorption-type merger: property succeeded to through the absorption-type merger by the company surviving absorption-type merger;
 - (b) absorption-type company split: property succeeded to through the absorption-type company split by the company succeeding in the absorption-type split;
- (xl) "consideration in the absorption-type restructuring" means property as provided in the following (a) through (d) in accordance with the categories of absorption-type restructuring stated in (a) through (d):
- (a) absorption-type merger: property delivered to shareholders, etc. of a company disappearing in the absorption-type merger by a company surviving the absorption-type merger when an absorption-type merger is effected;
 - (b) absorption-type company split: property delivered to a company splitting in the absorption-type split by a company succeeding in the absorption-type split when the absorption-type company split is effected;
 - (c) share exchange: property delivered to the shareholders of a wholly owned subsidiary company resulting from a share exchange by a wholly owning parent company resulting from a share exchange when a share exchange is effected; and
 - (d) share delivery: property delivered upon a share delivery by a share delivery parent company to a transferor of shares or share options, etc. of a share delivery subsidiary.
- (xli) "market value of consideration in the absorption-type restructuring" means the value of the consideration in the absorption-type restructuring calculated according to the market value of the consideration in the absorption-type restructuring or by another appropriate method;
- (xlii) "treasury shares used as consideration" means treasury shares disposed of as consideration in the absorption-type restructuring;
- (xlili) "previously acquired shares, etc." means shares as provided in the following (a) or (b) in accordance with the categories of cases stated in (a) or (b):
- (a) in the case of the absorption-type merger: shares or equity interests of a

- company disappearing in the absorption-type merger which are held by the company surviving the absorption-type merger immediately before the absorption-type merger, or shares of a company disappearing in the absorption-type merger which are held by the relevant company disappearing in the absorption-type merger immediately before the absorption-type merger;
- (b) in the case of the consolidation-type merger: shares of each company disappearing in the consolidation-type merger that the relevant company disappearing in the consolidation-type merger holds, and the shares or equity interests of other companies disappearing in consolidation-type mergers;
- (xliv) "company split by absorption-type split-off" means, among absorption-type company splits, those in which in the absorption-type company split agreement the matters stated in Article 758, item (viii) or Article 760, item (vii) of the Act are specified, and the company splitting in the absorption-type split, in accordance with the provisions of those items, delivers to its shareholders all of the consideration in the absorption-type restructuring;
- (xlv) "consolidation-type restructuring" means the acts stated below:
- (a) consolidation-type merger;
 - (b) incorporation-type company split;
 - (c) share transfer;
- (xlvi) "property subject to consolidation-type restructuring" means assets as provided in the following (a) or (b) in accordance with the categories of consolidation-type restructuring stated in (a) or (b):
- (a) consolidation-type merger: property succeeded to through the consolidation-type merger by the company incorporated in the consolidation-type merger;
 - (b) incorporation-type company split: property succeeded to through the incorporation-type company split by the company incorporated in the incorporation-type split;
- (xlvii) "consideration in a consolidation-type restructuring" refers to the property in the context of their categories as provided in (a) through (c) below:
- (a) consolidation-type merger: property delivered to shareholders, etc. of a company disappearing in the consolidation-type merger by a company incorporated in the consolidation-type merger when effected;
 - (b) incorporation-type company split: property delivered to a company splitting in the incorporation-type split by a company incorporated in the incorporation-type split when effected; and
 - (c) share transfer: property delivered to the shareholders of a wholly owned subsidiary company resulting from a share transfer by a wholly owning

- parent company incorporated in a share transfer when effected.
- (xlviii) "market value of consideration in a consolidation-type restructuring" means the value of the consideration in a consolidation-type restructuring calculated according to the market value of the consideration in a consolidation-type restructuring or by another appropriate method;
- (xlix) "acquiring company in the consolidation-type merger" means, among the companies disappearing in the consolidation-type merger, the company that acquires control through the consolidation-type merger;
- (l) "consolidated company succeeding to shareholders' equity" means a company disappearing in the consolidation-type merger, when the relevant company disappearing in the consolidation-type merger is specified to become a consolidated company succeeding to shareholders' equity as provided in this item, where all of the consideration in a consolidation-type restructuring that is delivered to the shareholders, etc. of the company disappearing in the consolidation-type merger is shares or equity interests of the relevant company incorporated in the consolidation-type merger;
- (li) "company consolidated without delivering consideration" means a company disappearing in the consolidation-type merger if no consideration in a consolidation-type restructuring is delivered to the shareholders, etc. of the company disappearing in the consolidation-type merger;
- (lii) "company consolidated without delivering shares" means a company disappearing in the consolidation-type merger, or a company consolidated without delivering consideration if all of the consideration in a consolidation-type restructuring that is delivered to the shareholders, etc. of the company disappearing in the consolidation-type merger is bonds, etc. of the company incorporated in the consolidation-type merger;
- (liii) "consolidated company not succeeding to shareholders' equity" means a company disappearing in the consolidation-type merger which is not a consolidated company succeeding to shareholders' equity or a company consolidated without delivering shares;
- (liv) "company split by the incorporation-type split-off" means, among incorporation-type company splits, those in which the matters stated in Article 763, paragraph (1), item (xii) or Article 765, paragraph (1), item (viii) of the Act are specified in the incorporation-type company split plan, and a company splitting in the incorporation-type split, in accordance with the provisions of those items, delivers to its shareholders all of the consideration in a consolidation-type restructuring;
- (lv) "company to which consolidated dividend regulations apply" means a stock company (limited to those which are preparing consolidated financial statements for a given business year) which, when preparing financial statements concerning the given business year, specifies the intention to

- apply the provisions of Article 158, item (iv) with respect to calculations for the distributable amount for the relevant stock company between the time when the last day of a given business year becomes the last day of the most recent business year, to the time when the last day of the business year following the relevant business year becomes the last day of the most recent business year;
- (lvi) "leased object" means an object used under a lease;
 - (lvii) "finance lease" means the leasing of an object that cannot be canceled during the lease period or equivalent leasing of an object, for which the lessee is able to enjoy the substantial economic profit generated from the leased object, and for which the lessee bears substantial expenses that arise as a result of the use of the leased object;
 - (lviii) "finance lease under which ownership is transferred" means a finance lease for which it is found that the terms and conditions make it clear that ownership of the leased object is to transfer to the lessee;
 - (lix) "finance lease under which ownership is not transferred" means a finance lease which is not a finance lease under which ownership is transferred;
 - (lx) "asset removal obligations" means legal obligations for the removal of tangible fixed assets that have arisen through the acquisition, construction, development or ordinary use of the tangible fixed assets and their equivalent;
 - (lxi) "construction contract" means a contract for work for which the basic specifications and operational contents concerning civil engineering, architecture, shipbuilding, the manufacture of mechanical equipment or other work are based on the instructions of the ordering party;
 - (lxii) "accounting policies" means general principles and procedures of accounting practices employed in the preparation of financial statements or consolidated financial statements;
 - (lxiii) "retrospective application" means to perform accounting practices by assuming that new accounting policies are applied retrospectively to financial statements or consolidated financial statements for business years before the relevant business year;
 - (lxiv) "method of presentation" means the method of presentation employed in the preparation of financial statements or consolidated financial statements;
 - (lxv) "accounting estimates" means, if there is uncertainty in the amounts in the entries to be presented in financial statements or consolidated financial statements, to calculate their reasonable amounts based on information available at the time of the preparation of the financial statements or consolidated financial statements;
 - (lxvi) "changing accounting estimates" means changing accounting estimates that have been made upon the preparation of the financial statements or

- consolidated financial statements for business years before the relevant business year, based on information that has become newly available;
- (lxvii) "errors" means errors resulting from failing to use or erroneously using information that was available at the time of the preparation of the financial statements or consolidated financial statements, irrespective of whether they were intentional;
- (lxviii) "preparing corrected statements" means to prepare financial statements or consolidated financial statements by assuming that errors in the financial statements or consolidated financial statements for business years before the relevant business year have been corrected;
- (lxix) "financial instruments" means financial assets (meaning claims arising from monetary claims, securities and derivative transactions (including equivalent matters)) and financial liabilities (meaning obligations arising from monetary debt or derivative transactions (including equivalent matters));
- (lxx) "leased real property" means real property owned for the purpose of profit or financial gain through lease or transfer, and which is not classified as an inventory asset.
- (4) The "cases in which a company can exert material impact on another company's decisions on financial and business policies" as provided for in the preceding paragraph, item (xxi), means cases (excluding cases in which it is found that there is evidence that, in light of its financial or business relationship, one company cannot exert an important impact on the financial or business policy decisions of another company, etc.) stated below:
- (i) cases in which the percentage of the number of voting rights owned on a first company's own account (including its subsidiary companies; that applies below in this paragraph), with respect to the total number of voting rights in a second company, etc. (excluding companies, etc. stated in below that are recognized as being unable to exert an material impact on the financial or business policy decisions of a second company, etc.; that applies below in this paragraph), is 20 percent or more:
- (a) a company, etc. that has been issued a ruling on the commencement of rehabilitation proceedings under the provisions of the Civil Rehabilitation Act (Act No. 225 of 1999);
- (b) a stock company that has been issued a ruling on the commencement of reorganization proceedings under the provisions of the Corporate Reorganization Act (Act No. 154 of 2002);
- (c) a company, etc. that has been issued a ruling on the commencement of bankruptcy proceedings under the provisions of the Bankruptcy Act (Act No. 75 of 2004);
- (d) any other company, etc. equivalent to any one of those stated in (a)

- through (c);
- (ii) when the percentage of the number of voting rights owned on a first company's own account is 15 percent or more (except for cases stated in the preceding item) with respect to the total number of voting rights of a second company, etc., and cases that fall under any of the requirements stated in below:
 - (a) that a person stated in below (limited to those who can exert influence on the financial and business policy decisions of the second company, etc.) has assumed the office of a representative director, a director, or an equivalent title at the second company, etc.:
 1. an officer of the first company;
 2. a member executing the business of the first company;
 3. an employee of the first company;
 4. a person who was a person stated in 1. through 3.;
 - (b) that the first company carries out important financing with respect to the second company, etc.;
 - (c) that the first company provides important technology to the second company, etc.;
 - (d) that there are important sales, purchasing or other business-related transactions between the first company and the second company, etc.;
 - (e) that other facts exist from which it can be inferred that the first company can exert material impact on the financial and business policy decisions of the second company, etc.;
 - (iii) cases in which the percentage of the first company's own and equivalent voting rights (meaning the total number of the number of voting rights stated in below) in a second company, etc. is 20 percent or more (including when the voting rights are not owned on the first company's own account, except when stated in the preceding two items), and when meeting any of the requirements stated in (a) through (e) of the preceding item:
 - (a) the voting rights owned by the first company on its own account;
 - (b) the voting rights owned by persons for whom it is known that they will exercise their voting rights in the manner intended by the first company, due to a close relationship with the first company in terms of contribution, personnel affairs, funds, technology, and transactions, etc.;
 - (c) the voting rights owned by persons who have consented to exercise their voting rights in the manner intended by the first company;
 - (iv) cases in which, based on a contract, or its equivalent, between one company and an independent party, these parties jointly control another company, etc.

(Consideration of Accounting Practices)

Article 3 For the interpretation of the terms and the application of the

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

Part II Accounting Books

Chapter I General Provisions

- Article 4 (1) Matters related to the value of assets, liabilities, and net assets that are to be entered into accounting books to be prepared by the company pursuant to the provisions of Article 432, paragraph (1) and Article 615, paragraph (1) of the Act and other matters relating to the preparation of accounting books (including matters that are to be specified by Ministry of Justice Order pursuant to the provisions of Article 445, paragraphs (4) through (6) of the Act) are to be governed by the provisions of this Part.
- (2) Accounting books must be prepared in writing or in the form of electronic or magnetic records.

Chapter II Assets and Liabilities

Section 1 Valuation of Assets and Liabilities

Subsection 1 General Rules

(Valuation of Assets)

- Article 5 (1) For assets, unless otherwise provided in laws and regulations other than this Ministerial Order or the Act, their acquisition values must be entered into accounting books.
- (2) For assets to be depreciated, a reasonable amount of depreciation must be carried out on the last day of the business year (if valuation is to be carried out on a day other than the last day of the business year, that day; the same applies in this Article, Article 6, paragraph (2) and Article 55, paragraph (6), item (i)).
- (3) For the assets stated in the following items, if the price provided in each respective item is to be entered on the last day of the business year, the price provided in each respective item must be entered:
- (i) assets whose market value on the last day of the business year is significantly lower than the cost at acquisition (excluding assets for which the market value is expected to recover to the cost at acquisition): the market value on the last day of the business year;
 - (ii) assets for which a reduction in value has arisen which could not be predicted, or assets which should be recognized as an impairment loss on the last day of the business year: an amount reduced a reasonable amount from the cost at the time of acquisition.

- (4) For claims in which there is a risk of non-collection, the amount which is forecast to remain uncollected on the last day of the business year must be deducted.
- (5) For claims, if there is a difference between the acquisition value and the claim amount, or if there is another reasonable ground, the proper price may be entered.
- (6) For the assets stated in below, the market value or the proper price at the time may be entered on the last day of the business year:
 - (i) assets whose market value on the last day of the business year is lower than the cost at acquisition;
 - (ii) assets with a market price (except shares of a subsidiary company and shares of an affiliated company, as well as bond certificates held to maturity);
 - (iii) beyond assets stated in the preceding two items, assets for which it is appropriate to enter the market value or the proper price at the time on the last day of the business year.

(Valuation of Liabilities)

- Article 6 (1) With regard to liabilities, unless otherwise provided in laws and regulations other than this Ministerial Order or the Act, the amount of liabilities must be entered in the accounting books.
- (2) For the liabilities stated in below, the market value or the proper price at the time may be entered on the last day of the business year:
 - (i) accrued retirement benefits (meaning allowances that are to be carried over on the last day of the business year if payment of a retirement lump sum, a retirement pension or other similar property to an employee after the employee's retirement; the same applies in Article 75, paragraph (2), item (ii)), and any other allowance to be recorded as the allowance for future expenses or losses by transferring, as the expenses or losses, the portion of the reasonable estimate amount to be borne in the business year (including allowances that are to be recorded if services are provided to shareholders, etc.);
 - (ii) bonds for which the amount of payment received is different from the amount of liability;
 - (iii) liabilities other than those stated in the preceding two items, for which it is appropriate to enter the market value or the proper price at the time on the last day of the business year.

Subsection 2 Valuation of Assets and Liabilities upon Entity Conversion

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

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

(Valuation of Assets and Liabilities in Organization Restructuring Actions)

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

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

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

(Rights of Membership Companies to Claim Contributions)

Article 9 (1) If a membership company performs an entity conversion when immediately before the entity conversion the membership company is recording as assets claims concerning the right of a membership company to demand that contributions should be performed by its members, it is deemed that the membership company has determined that it will not record the claims as assets immediately before the entity conversion.

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

(Valuation of Assets and Liabilities in Cases When a Corporation Which is Not a Company Becomes a Company)

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

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

Section 2 Goodwill

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

Section 3 Special Accounts for Shares and Equity Interests

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

Chapter III Net Assets

Section 1 Shareholders' Equity in Stock Companies

Subsection 1 Delivery of Shares

(General Rules)

Article 13 (1) The maximum amount of increase in stated capital of a stock company (meaning the amount of property that persons who are shareholders, as provided in Article 445, paragraph (1) of the Act have paid or delivered to the stock company, the same applies below in this Section) through share delivery occurring after the formation of the stock company (excluding share delivery upon performance of the actions stated in that Article, paragraph (5) of the Act), the amount of other capital surplus and other retained earnings, and the amount of consideration for treasury shares (meaning the amount of consideration for the treasury shares as provided in Article 150, paragraph (2), item (viii) and Article 158, item (viii), (c), and Article 446, item (ii) and Article 461, paragraph (2), item (ii), (b) and item (iv) of the Act; the same applies below in this Chapter) are to be governed pursuant to the provisions of this Subsection.

- (2) The phrase "share delivery occurring after the formation of a stock company" as provided for in the preceding paragraph, means the issuance of shares and the disposal of treasury shares (in the cases stated in item (viii), item (ix), item (xii), item (xiv) and item (xv); the disposal of treasury shares) that occurs after the formation of a stock company in the cases stated below:
- (i) when, pursuant to the provisions of Part II, Chapter II, Section 8 of the Act, subscribers for shares for subscription are solicited (excluding when, pursuant to the provisions of Article 202-2, paragraph (1) of the Act (including when it is applied by replacing certain terms pursuant to paragraph (3) of that Article), subscribers for shares for subscription are solicited; the same applies in paragraph (1) of the following Article);
 - (ii) when shares with put options (limited to those for which there are provisions with respect to the matters stated in Article 108, paragraph (2), item (v), (b) of the Act; the same applies below in this Chapter) are acquired;
 - (iii) when shares subject to call (limited to those for which there are provisions with respect to the matters provided for in Article 108, paragraph (2), item (vi), (b) of the Act; the same applies below in this Chapter) are acquired;
 - (iv) when shares subject to class-wide call (limited to the shares subject to class-wide call if provisions have been made with respect to the matters stated in Article 171, paragraph (1), item (i), (a) of the Act at acquisition of the shares subject to class-wide call; the same applies below in this Chapter) are acquired;
 - (v) when an allotment of shares without contribution is made;
 - (vi) when share options have been exercised;
 - (vii) when share options subject to call (limited to those for which there are provisions with respect to the matters stated in Article 236, paragraph (1), item (vii), (d) of the Act; the same applies below in this Chapter) are acquired;
 - (viii) when the stock company has received a demand for the sale of shares less than one unit;
 - (ix) when the stock company is to deliver shares corresponding to the shares acquired from a shareholder (including persons who bear the obligations jointly and severally with the shareholder) who performs the obligations as provided in Article 462, paragraph (1) of the Act that arise due to the fact that the shareholder has acquired shares of that stock company;
 - (x) when the stock company survives the absorption-type merger;
 - (xi) when another company succeeds to all or part of the rights and obligations related to the stock company's business, as a result of the absorption-type company split;
 - (xii) when the company splitting in the absorption-type split (limited to a stock company) allows the company succeeding in the absorption-type split to

- succeed to its treasury shares through the absorption-type company split;
- (xiii) when the stock company acquires all the issued shares of another stock company through a share exchange;
- (xiv) when the wholly owning parent company resulting from the share exchange acquires the stock company's treasury shares in a share exchange;
- (xv) when, in a share transfer, the wholly owning parent company incorporated in the share transfer acquires the stock company's treasury shares; and
- (xvi) when, in a share delivery, shares or share options, etc. of another stock company are to be acquired.

(When Subscribers are Solicited for Shares for Subscription)

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

- (i) the amount of monies received as payment pursuant to the provisions of Article 208, paragraph (1) of the Act (for the monies stated respectively as follows in (a) or (b); the respective amounts provided in (a) or (b)):
 - (a) when payment of monies has been received in the currency of a foreign country (excluding the cases stated in (b)): an amount calculated based on the exchange rate for the foreign currency on the date referred to in Article 199, paragraph (1), item (iv) of the Act (if the period referred to in that item has been determined, the day on which payment is received pursuant to the provisions of Article 208, paragraph (1) of the Act);
 - (b) when the calculations for the maximum amount of increase in stated capital based on the amount of monies received as payment (including the amount as provided in (a)) are incorrect: the book value of the monies immediately before the payment according to the person who has made the payment.
- (ii) if, pursuant to the provisions of Article 208, paragraph (2) of the Act, the delivery of property contributed in kind (meaning the property contributed in kind as provided in Article 207, paragraph (1) of the Act; that applies below in this Article) has been received, the value of the property contributed in kind (for the property contributed in kind stated in (a) or (b) below; the amount provided in (a) or (b)) on the date referred to in Article 199,

paragraph (1), item (iv) of the Act (if the period referred to in that item has been determined, the day on which the delivery is received pursuant to Article 208, paragraph (2) of the Act):

- (a) when the relevant stock company and the person who has delivered the property contributed in kind are under common control (excluding cases in which a market value is to be entered for the property contributed in kind): the book value of the property contributed in kind immediately before the delivery according to the person who has delivered them;
 - (b) in cases other than that stated in (a), when the calculations for the maximum amount of increase in stated capital based on the value of property contributed in kind received through the delivery are incorrect: the book value as provided in (a);
 - (iii) among the amounts of expenses concerning the delivery of shares for subscription taken as the matters stated in Article 199, paragraph (1), item (v) of the Act; the amount determined by the stock company as the amount to be subtracted from the maximum amount of increase in stated capital; or
 - (iv) when the amount obtained by subtracting the amount stated in (b) from the amount stated in (a) is equal to or greater than zero; the relevant amount:
 - (a) the book value of treasury shares disposed of at the solicitation;
 - (b) the amount obtained by multiplying by the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one; the same applies below in this Article) the amount obtained by subtracting the amount stated in the preceding item from the sum of the amounts stated in item (i) and item (ii) (if this is less than zero; zero).
- (2) In the cases prescribed in the preceding paragraph, the amounts after the acts stated in that paragraph, as stated in the following items, are to be the amounts obtained by adding the amounts provided in those items to those respective amounts existing immediately before the acts stated in that paragraph:
- (i) the amount of other capital surplus: the amount obtained by subtracting the amount stated in (c) from the sum of the amounts stated in (a) and (b):
 - (a) the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the amount stated in item (iii) of the preceding paragraph from the sum of the amounts stated in item (i) and item (ii) of that paragraph;
 - (b) whichever of the amounts stated in below is the smallest:
 - 1. the amount stated in item (iv) of the preceding paragraph;
 - 2. the amount obtained by multiplying by the share issue rate of the amount obtained by subtracting the amount stated in item (iii) of the preceding paragraph from the sum of the amounts stated in item (i)

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

(When Shares Are Issued upon Share Acquisition)

Article 15 (1) In the cases stated below, the maximum amount of increase in stated capital is zero:

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

(When an Allotment of Shares Without Contribution is Made)

Article 16 (1) If an allotment of shares without contribution is made, the maximum amount of increase in stated capital is zero.

- (2) In the cases prescribed in the preceding paragraph, the amount of other capital surplus after an allotment of shares without contribution is the amount obtained by subtracting the book value of treasury shares disposed of in the allotment of shares without contribution from the amount of other capital

surplus immediately before the allotment of shares without contribution.

(3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is zero.

(When Share Options Have Been Exercised)

Article 17 (1) If share options have been exercised, the maximum amount of increase in stated capital is the amount obtained by subtracting the amount stated in item (v) from the amount obtained by multiplying by the share issue rate (meaning the rate obtained by dividing the number of shares issued upon exercise by the sum of the number of shares issued and the number of treasury shares disposed of upon that exercise; this applies below in this Article) the amount obtained by subtracting the amount stated in item (iv) from the sum of the amounts stated in item (i) through item (iii) (if this is less than zero; zero):

(i) the book value of the share options at the time of exercise;

(ii) in the cases prescribed in Article 281, paragraph (1) of the Act, or in the cases as provided in the second sentence of paragraph (2) of that Article, the amount of monies received as payment pursuant to those provisions (for monies in the cases stated in (a) or (b) below, the amount as provided in (a) or (b)):

(a) when payment has been received of monies in the currency of a foreign country (excluding the cases stated in (b)): an amount calculated based on the exchange rate for the foreign currency at the time of exercise;

(b) when the calculations for the maximum amount of increase in stated capital based on the amount of monies received as payment (including the amount prescribed in (a)) are incorrect: the book value of the monies immediately before the payment according to the person who has made the payment;

(iii) if the delivery of the property contributed in kind (meaning the property contributed in kind as provided in Article 284, paragraph (1) of the Act; same applies below in this Article) have been received pursuant to the provisions of the first sentence of Article 281, paragraph (2) of the Act, the value of the property contributed in kind at the time of exercise (for property contributed in kind in the cases stated in (a) or (b) below, the amount as provided in (a) or (b)):

(a) when the relevant stock company and the person who has delivered the relevant assets contributed in kind are under common control (excluding when a market value is to be entered for the property contributed in kind): the book value of the property contributed in kind immediately before the delivery according to the person who has delivered them;

(b) in cases other than those stated in (a), when the calculations for the maximum amount of increase in stated capital based on the value of the

- property contributed in kind received through the relevant delivery are incorrect: the book value as provided in (a);
- (iv) among the amounts of expenses concerning the delivery of shares taking place upon the exercise of share options taken as the matters stated in Article 236, paragraph (1) item (v) of the Act, the amount determined by a stock company as the amount to be subtracted from the maximum amount of increase in stated capital;
 - (v) if the amount obtained by subtracting the amount stated in (b) from the amount stated in (a) is equal to or greater than zero, that amount:
 - (a) the book value of treasury shares disposed of upon exercise;
 - (b) the amount obtained by multiplying by the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one; this applies below in this Article) the amount obtained by subtracting the amount stated in the preceding item from the sum of the amounts stated in item (i) through item (iii) (if this is less than zero; zero).
- (2) In the cases prescribed in the preceding paragraph, the amounts after the exercising of share options stated in the following items are to be the amounts obtained by adding the amounts as provided in those items to those respective amounts existing immediately before the exercise:
- (i) the amount of other capital surplus: the amount obtained by subtracting the amount stated in (c) from the sum of the amounts stated in (a) and (b):
 - (a) the amount obtained by multiplying by the treasury share disposal rate to the amount obtained by subtracting the amount stated in item (iv) of the preceding paragraph from the sum of the amounts stated in items (i) through (iii) of that paragraph;
 - (b) whichever of the amounts stated below is the smallest:
 1. the amount stated in item (v) of the preceding paragraph;
 2. the amount obtained by multiplying by the share issue rate the amount obtained by subtracting the amount stated in the item (iv) of the preceding paragraph from the sum of the amounts stated in items (i) through (iii) of that paragraph (if this is less than zero; zero);
 - (c) the book value of treasury shares disposed of at the relevant exercising;
 - (ii) the amount of other retained earnings: if the amount obtained by subtracting the amount stated in item (iv) of the preceding paragraph from the sum of the amounts stated in items (i) through (iii) of that paragraph is less than zero, the amount obtained by multiplying the relevant amount by the share issue rate.
- (3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the amount stated in item (iv) of the preceding paragraph from the sum of the amounts stated in items (i)

through (iii) of that paragraph.

- (4) The amount stated in paragraph (2), item (i), (b), with respect to the application of the provisions of Article 150, paragraph (2), item (viii), and Article 158, item (viii), (c), and Article 446, item (ii) and Article 461, paragraph (2), item (ii), (b), and item (iv) of the Act, is also deemed to be included in the amount of consideration for treasury shares.
- (5) For the application of the provisions of paragraph (1), item (i), if share options are share options for subscription, the matters stated in Article 238, paragraph (1), item (ii) and item (iii) of the Act regarding the relevant share options for subscription and the book value referred to in paragraph (1), item (i) must not be interpreted as being required to be the same amount.
- (6) With respect to the application of the provisions of paragraph (1), item (iii), the values stated in Article 236, paragraph (1), item (ii) and item (iii) of the Act regarding property contributed in kind, and the book value of the property contributed in kind (including the amounts of stated capital and capital reserves concerning the contributions), must not be interpreted as being required to be the same amount.

(When Share Options Subject to Call Are Acquired)

Article 18 (1) When share options subject to call are acquired, the maximum amount of increase in stated capital is the amount obtained by subtracting the amount stated in item (iv) from the amount obtained by multiplying the share issue rate (meaning the rate obtained by dividing the number of shares issued at the acquisition by the sum of the number of shares issued and the number of treasury shares disposed of at the acquisition; the same applies below in this Article) with the amount obtained by subtracting the sum of the amounts stated in item (ii) and item (iii) from the amount stated in item (i) (if this is less than zero; zero):

- (i) the value of the relevant share options subject to call (including, if the relevant share options subject to call have been entered for bonds with share options (including bonds equivalent to that; the same applies below in this item), bonds with respect to the bonds with share options (including bonds equivalent to that); the same applies below in this paragraph) at the time of the acquisition;
- (ii) among the amounts of expenses concerning the delivery of shares carried out in exchange for the acquisition of share options subject to call, the amount determined by a stock company as the amount to be subtracted from the maximum amount of increase in stated capital;
- (iii) the sum total of the book value of the property that a stock company delivers in exchange for acquiring the relevant share options subject to call (except for shares of the stock company) (if the property is bonds (except for

- reacquired bonds) or share options (except for the stock company's own share options); the amount to be entered to the accounting books);
- (iv) if the amount obtained by subtracting the amount stated in (b) from the amount stated in (a) is equal to or greater than zero; that amount:
- (a) the book value of treasury shares disposed of at the acquisition;
 - (b) the amount obtained by multiplying the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one; the same applies below in this Article) with the amount obtained by subtracting the sum of the amounts stated in item (ii) and the preceding item from the amount stated in item (i) (if this is less than zero; zero).
- (2) In the cases prescribed in the preceding paragraph, the amounts after the acquisition of share options subject to call stated in the following items are each to be the amounts obtained by adding the amounts as provided in those items to those respective amounts existing immediately before the acquisition of share options subject to call:
- (i) the amount of other capital surplus: the amount obtained by subtracting the amount stated in (c) from the sum of the amounts stated in (a) and (b):
 - (a) the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the sum of the amounts stated in item (ii) and item (iii) of the preceding paragraph from the amount stated in item (i) of that paragraph;
 - (b) whichever of the amounts stated below is the smallest:
 1. the amount stated in item (iv) of the preceding paragraph;
 2. the amount obtained by multiplying the share issue rate with the amount obtained by subtracting the sum of the amounts stated in item (ii) and item (iii) of the preceding paragraph from the amount stated in item (i) of that paragraph (if this is less than zero; zero);
 - (c) the book value of treasury shares disposed of at the acquisition;
 - (ii) the amount of other retained earnings: if the amount obtained by subtracting the sum of the amounts stated in item (ii) and item (iii) of the preceding paragraph from the amount stated in item (i) of that paragraph is less than zero, the amount obtained by multiplying the share issue rate by the relevant amount.
- (3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is the amount obtained by multiplying by the treasury share disposal rate the amount obtained by subtracting the sum of the amounts stated in item (ii) and item (iii) of the preceding paragraph from the amount stated in item (i) of that paragraph.
- (4) The amount stated in paragraph (2), item (i), (b), for the application of the provisions of Article 150, paragraph (2), item (viii) and Article 158, item (viii), (b), and Article 446, item (ii), and Article 461, paragraph (2), item (ii), (b), and

item (iv) of the Act, is also deemed to be included in the amount of consideration for treasury shares.

(When a Demand for the Sale of Less than One Unit of a Share Has Been Received)

Article 19 (1) If a demand for the sale of less than one unit of a share has been received, the maximum amount of increase in stated capital is zero.

(2) In the case prescribed in the preceding paragraph, the amount of other capital surplus after the demand for the sale of less than one unit of a share is the amount obtained by subtracting the amount stated in item (iii) from the sum of the amounts stated in item (i) and item (ii):

(i) the amount of other capital surplus immediately before the demand for the sale of less than one unit of a share;

(ii) the amount of charges concerning the demand for the sale of less than one unit of a share;

(iii) the book value of treasury shares disposed of in response to the demand for the sale of less than one unit of a share.

(3) In the case prescribed in paragraph (1), the amount of consideration for treasury shares is the amount of charges concerning demand for the sale of less than one unit of a share.

(When Shares are to Be Delivered to a Shareholder Who has Fulfilled the Obligations as Provided in Article 462, Paragraph (1) of the Act)

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

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

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

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

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

(3) In the cases prescribed in paragraph (1), the amount of consideration for treasury shares is the amount of monies paid to a stock company by the

shareholder (including persons who bear obligations jointly and severally with a shareholder) referred to in that paragraph.

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

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

- (i) the obligation to pay the amount as provided in Article 52, paragraph (1) of the Act pursuant to the provisions of that paragraph (limited to the obligation when the person who has performed such obligation is an incorporator who delivered the property of Article 28, item (i) of the Act);
- (ii) the obligation to perform the acts provided in the items of Article 52-2, paragraph (1) of the Act pursuant to the provisions of that paragraph in the cases stated respectively in those items;
- (iii) the obligation to pay as provided in Article 102-2, paragraph (1) of the Act pursuant to the provisions of that paragraph;
- (iv) the obligation to pay the amounts provided in the items of Article 212, paragraph (1) of the Act pursuant to the provisions of that paragraph in the cases stated respectively in those items;
- (v) the obligation to perform the acts provided in the items of Article 213-2, paragraph (1) of the Act pursuant to the provisions of that paragraph in the cases stated respectively in those items;
- (vi) the obligation to pay the amounts provided in the items of Article 285, paragraph (1) of the Act pursuant to the provisions of that paragraph in the cases stated respectively in those items;
- (vii) the obligation of a share option holder that has exercised a share option and that falls under any of the categories of persons provided in the items of Article 286-2, paragraph (2) of the Act to perform the acts specified respectively in those items pursuant to the provisions of that paragraph.

Subsection 2 Dividends from Surplus

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

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

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

(Amounts of Deduction from Surplus)

Article 23 If a stock company distributes dividends from surplus, the amounts stated in the following items after distribution of dividends from surplus are the amounts obtained by subtracting the amounts provided in those items from

the amounts immediately before the distribution of dividends from surplus;

(i) the amount of other capital surplus: the sum of the amounts stated below:

(a) among the amounts stated in Article 446, item (vi) of the Act, the amount determined by a stock company as the amount to be subtracted from other capital surplus;

(b) in the cases stated in paragraph (1), item (ii) of the preceding Article, the amount as provided in that item;

(ii) the amount of other retained earnings: the sum of the amounts stated below:

(a) among the amounts stated in Article 446, item (vi) of the Act, the amount determined by a stock company as the amount to be subtracted from other retained earnings;

(b) in the cases stated in paragraph (2), item (ii) of the preceding Article, the amount as provided in that item.

Subsection 3 Treasury Shares

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

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

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

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

(Amount of Stated Capital)

Article 25 (1) Apart from what is specified in Subsection 1 as well as Section 4 and Section 5-2, the amount of stated capital of a stock company is to be increased by the amounts specified respectively in the following items, only in the cases stated in those items:

(i) when the amount of reserves is reduced pursuant to the provisions of Article 448 of the Act (limited to when the matters stated in paragraph (1), item (ii) of that Article have been determined): an amount corresponding to what is taken as the stated capital referred to in that item;

(ii) when the amount of surplus is reduced pursuant to the provisions of Article 450 of the Act: an amount corresponding to the amount of reduced surplus stated in paragraph (1), item (i) of that Article.

- (2) The amount of stated capital of a stock company is to be reduced by an amount corresponding to the amount under Article 447, paragraph (1), item (i) of the Act, only in cases pursuant to the provisions of that Article. In such cases, the amount of stated capital must not be interpreted as being reduced in the cases stated below:
- (i) when a judgment upholding a claim seeking invalidation of the issue of new shares becomes final and binding;
 - (ii) when a judgment upholding a claim seeking invalidation of the disposal of treasury shares becomes final and binding;
 - (iii) when a judgment upholding a claim seeking invalidation of the absorption-type merger, absorption-type company split, share exchange or share delivery of a company becomes final and binding;
 - (iv) when a manifestation of intention concerning subscription to shares issued at incorporation or shares for subscription: or any other manifestation of intention concerning the issuing of shares or the disposal of treasury shares, has been invalidated or revoked; or
 - (v) when a manifestation of intention related to the transfer of shares or share options, etc. of a share delivery subsidiary or other manifestation of intention concerning share delivery has been invalidated or revoked.

(Amount of Capital Reserves)

Article 26 (1) Beyond what is specified in Subsections 1 and 2, as well as Section 4 and Section 5-2, the amount of capital reserves of a stock company is to be increased by the amounts specified respectively in the following items, only in the cases stated in those items:

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

(Amount of Other Capital Surplus)

Article 27 (1) Beyond what is specified in Subsection 1 and as well as Section 4 and Section 5-2, the amount of other capital surplus of a stock company is to be increased by the amounts specified respectively in the following items only in the cases stated in those items:

- (i) when the amount of stated capital is reduced pursuant to the provisions of Article 447 of the Act: an amount corresponding to the amount stated in paragraph (1), item (i) of that Article (in the cases prescribed in item (ii) of that paragraph, the amount obtained by subtracting the amount stated in that item from the amount referred to in item (i) of that paragraph);
- (ii) when the amount of reserves is reduced pursuant to the provisions of Article 448 of the Act: an amount corresponding to the amount referred to in paragraph (1), item (i) of that Article (limited to amounts concerning capital reserves, in the cases prescribed in item (ii) of that paragraph, the amount obtained by subtracting the amount referred to in that item with respect to capital reserves from the amounts concerning capital reserves);
- (iii) beyond what is stated in the preceding two items, when the amount of other capital surplus is to be increased: the correct amount by which to increase the amount of other capital surplus.

(2) Beyond what is specified in the preceding three Subsections as well as Section 4 and Section 5-2, the amount of other capital surplus of a stock company is to be reduced by the amounts specified respectively in the following items only in the cases stated in those items:

- (i) when the amount of surplus is reduced pursuant to the provisions of Article 450 of the Act: an amount corresponding to the amount referred to in paragraph (1), item (i) of that Article (limited to amounts concerning other capital surplus);
- (ii) when the amount of surplus is reduced pursuant to the provisions of Article 451 of the Act: an amount corresponding to the amount referred to in paragraph (1), item (i) of that Article (limited to amounts concerning other capital surplus);
- (iii) beyond what is stated in the preceding two items, when the amount of other capital surplus is to be reduced: the correct amount by which to reduce the amount of other capital surplus.

(3) In the cases referred to in the preceding paragraph, in the preceding three subsections and in Section 4 and Section 5-2, when it is necessary and appropriate that all or part of the amount of other capital surplus to be reduced pursuant to those provisions should not be reduced, then notwithstanding those provisions, with regard to amounts for which non-reduction is appropriate, the amount of other capital surplus may not be reduced.

(Amount of Retained Earnings Reserves)

- Article 28 (1) Beyond what is specified in Subsection 2 and Section 4, the amount of retained earnings reserves of a stock company is to be increased by an amount corresponding to that stated in Article 451, paragraph (1), item (i) of the Act (limited to amounts concerning other retained earnings), only if the amount of surplus is reduced pursuant to the provisions of that Article.
- (2) The amount of retained earnings reserves of a stock company is to be reduced by an amount corresponding to the amount under Article 448, paragraph (1), item (i) of the Act (limited to amounts concerning retained earnings reserves), only in the cases prescribed in that Article.

(Amount of Other Retained Earnings)

- Article 29 (1) Beyond what is specified in Section 4, the amount of other retained earnings of a stock company is to be increased by the amounts stated respectively in the following items only in the cases stated in those items:
- (i) when the amount of reserves is reduced pursuant to the provisions of Article 448 of the Act: an amount corresponding to the amount stated in paragraph (1), item (i) of that Article (limited to amounts concerning retained earnings reserves, in the cases prescribed in item (ii) of that paragraph, the amount obtained by subtracting the amount stated in that item with respect to retained earnings reserves from the amount stated in item (i) of that paragraph);
 - (ii) when an amount of net profit for the current period has arisen: the amount of net profit for the current period;
 - (iii) beyond what is stated in the preceding two items, when the amount of other retained earnings is to be increased: the correct amount by which to increase the amount of other retained earnings.
- (2) Beyond what is specified in the following paragraph, the preceding three subsections as well as Section 4 and Section 5-2, the amount of other retained earnings of a stock company is to be reduced by the amounts stated respectively in the following items only in the cases stated in those items:
- (i) when the amount of surplus is reduced pursuant to the provisions of Article 450 of the Act: an amount corresponding to the amount stated in paragraph (1), item (i) of that Article (limited to amounts concerning other retained earnings);
 - (ii) when the amount of surplus is reduced pursuant to the provisions of Article 451 of the Act: an amount corresponding to the amount stated in paragraph (1), item (i) of that Article (limited to amounts concerning other retained earnings);
 - (iii) when an amount of net loss for the current period has arisen: the amount of net loss for the current period;

- (iv) beyond what is stated in the preceding three items, when the amount of other retained earnings is to be reduced: the correct amount by which to reduce the amount of other retained earnings.
- (3) If there is an amount of other capital surplus to be reduced which may not be reduced pursuant to the provisions of Article 27, paragraph (3), an amount equal to the amount that may not be reduced is to be subtracted from that other retained earnings amount.

Section 2 Members' Equity in Membership Companies

(Amount of Stated Capital)

Article 30 (1) Beyond what is specified in Section 4, the amount of stated capital of a membership company is to be increased by an amount determined by the membership company to be included in the calculation of the amount of stated capital from within the scope of the amounts as provided respectively in the following items, only in the cases stated in those items:

- (i) when a member has made a contribution (excluding when the claims stated in the following item concerning contributions made have been recorded as assets): an amount obtained by subtracting the sum of the amounts stated in (c) from the sum of the amounts stated in (a) and (b) (if this is less than zero; zero):
 - (a) the value of property paid or delivered to the membership company through contributions made by the member (excluding the property if the property falls under the category of property prescribed in (b));
 - (b) the sum of the book values of property paid or delivered to the membership company through contributions made by the member (limited to when the book value of the payment or delivery of the relevant property immediately before the payment or delivery of the relevant property according to the person who paid or delivered the property is to be entered as the book value of the property according to the membership company) immediately before the payment or delivery according to the person who made the payment or delivery;
 - (c) among the amounts of expenses concerning the acceptance of the contributions made, the amount determined by the membership company as the amount to be subtracted from its stated capital or capital surplus;
- (ii) when a membership company has determined claims concerning its right to demand contributions from its members are to be recorded as assets: the value of the claims;
- (iii) when a membership company has determined that all or part of the amount of its capital surplus is to be taken as the amount of its stated capital: the amount of the capital surplus.

- (2) The amount of stated capital of a membership company is to be reduced by the amounts stated respectively in the following items, only in the cases specified in those items:
- (i) when a membership company makes a return of equity interests to a withdrawing member (for limited liability companies, limited to when procedures under the provisions of Article 627 of the Act have been undertaken): the amount which was recorded as the member's contribution in the amount of stated capital;
 - (ii) when a membership company makes a return of contributions to a member (for limited liability companies, limited to when procedures under the provisions of Article 627 of the Act have been undertaken): the amount determined as the amount to be subtracted from the amount of stated capital, from within the scope of the value of contributions refunded through the return of contributions (limited to amounts equal to or less than the amount which was recorded as the member's contribution in the amount of stated capital);
 - (iii) when a membership company (excluding limited liability companies) has determined that the claims, which are referred to in item (ii) of the preceding paragraph and recorded as assets, are not to be recorded as assets: the amount the amount which was recorded as claims in the stated capital;
 - (iv) when a membership company (excluding limited liability companies) has determined that all or part of the amount of its stated capital is to be taken as the amount of its capital surplus: an amount corresponding to the amount determined as the amount of the capital surplus;
 - (v) when losses are compensated (for limited liability companies, limited to when procedures under the provisions of Article 627 of the Act have been undertaken): an amount from within the scope of the amount of its stated capital which a membership company has determined to be for the compensation of losses.

(Amount of Capital Surplus)

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

- (i) when members have made contributions (excluding when claims referred to in the following item concerning contributions made have been recorded as assets): an amount obtained by subtracting the amount stated in (b) from the amount stated in (a):
 - (a) the amount obtained by subtracting the amount stated in paragraph (1), item (i), (c) of the preceding Article, from the sum of the amounts stated in (a) and (b);

- (b) the amount which was recorded in the amount of stated capital after the relevant contributions have been made;
 - (ii) when a membership company has determined that claims concerning its right to demand that its members make contributions are to be recorded as assets: the amount obtained by subtracting the amount stated in (b) from the amount stated in (a):
 - (a) the amount as provided in paragraph (1), item (ii) of the preceding Article;
 - (b) the amount which was recorded in the amount of stated capital at the time of the decision;
 - (iii) when a membership company (excluding limited liability companies) has determined that all or part of the amount of its stated capital is to be taken as the amount of its capital surplus: an amount determined to be the amount of the capital surplus;
 - (iv) when losses are compensated (for limited liability companies, limited to cases in which procedures under the provisions of Article 627 of the Act have been undertaken): an amount from within the scope of the amount of its stated capital which a membership company has determined to be for the compensation of losses;
 - (v) beyond what is stated in the preceding items, when it is appropriate to increase the amount of capital surplus: the appropriate amount.
- (2) Beyond what is specified in Section 4, the amount of capital surplus of a membership company is to be reduced by the amounts specified respectively in the following items, only in the cases stated in those items; provided, however, that an amount corresponding to the book value of property refunded through the distribution of profits is not to be deducted from the amount of capital surplus:
- (i) when a membership company makes a return of equity interests to a withdrawing member: the amount included in the calculation of the capital surplus with respect to the withdrawing member's contribution;
 - (ii) when a membership company makes a return of contributions to a member: the amount obtained by subtracting the amount by which the amount of stated capital is reduced pursuant to the provisions of paragraph (2) of the preceding Article if the return of contribution is made from the value of contribution refunded through the return of contributions;
 - (iii) when a membership company (excluding limited liability companies) has determined that the claims which are referred to in item (ii) of the preceding paragraph and recorded as assets are not to be recorded as assets: the amount which was recorded as claims in the capital surplus;
 - (iv) when a membership company has determined that all or part of the amount of its capital surplus is to be taken as the amount of its stated

capital: an amount corresponding to the amount determined as the amount of stated capital;

- (v) when a limited liability company is deemed to have determined, pursuant to the provisions of Article 9, paragraph (1) (including cases in which it is applied *mutatis mutandis* under paragraph (2) of that Article), that the claims, which are referred to in item (ii) of the preceding paragraph and recorded as assets are not to be recorded as assets: the amounts which were recorded as claims in the stated capital and capital surplus;
- (vi) beyond what is stated in the preceding items, when it is appropriate to reduce the amount of capital surplus: the appropriate amount.

(The Amount of Retained Earnings)

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

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

capital and capital surplus related to the relevant return of equity interests to members;

- (iii) when members make contributions (limited to the when the sum of the amounts stated in Article 30, paragraph (1), item (i), (a) and (b) is less than zero): that sum;
- (iv) beyond what is stated in the preceding three items, when it is appropriate to reduce the amount of retained earnings: the appropriate amount.

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

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

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

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

stock company as the amount to be subtracted from the amount of retained earnings.

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

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

- (i) the amount of stated capital: the amount of stated capital of the membership company immediately before the entity conversion;
- (ii) the amount of capital reserves: zero;
- (iii) the amount of other capital surplus: the amount obtained by subtracting the amount stated in (b) from the amount stated in (a):
 - (a) the amount of capital surplus of the membership company immediately before the entity conversion;
 - (b) among the book values of property other than shares of the stock company after entity conversion that is delivered to members of the membership company performing an entity conversion (in cases of bonds, etc. of the stock company after entity conversion (excluding reacquired bonds; the same applies in item (v), (b)), the book value to be entered for the bonds, etc.), the amount determined by the membership company performing an entity conversion as the amount to be subtracted from the amount of capital surplus;
- (iv) the amount of retained earnings reserves: zero;
- (v) the amount of other retained earnings: the amount obtained by subtracting the amount stated in (b) from the amount stated in (a):
 - (a) the amount of retained earnings of the membership company immediately before the entity conversion;
 - (b) among the book values of property other than shares of the stock company after entity conversion that is delivered to members of the membership company performing an entity conversion (in the case of bonds, etc. of the stock company after entity conversion, the book value to be entered for the bonds, etc.), the amount determined by the membership company performing an entity conversion as the amount to be subtracted from the amount of other retained earnings.

**Section 4 Shareholders' Equity and Members' Equity upon the
Absorption-Type Merger, Absorption-Type Company Split, Share
Exchange and Share Delivery
Subsection 1 Absorption-Type Merger**

(Amount of Changes in Shareholders' Equity, Etc. in a Company Surviving the

Absorption-Type Merger If All or Part of the Consideration in the
Absorption-Type Restructuring Are Shares or Equity Interests of the
Company Surviving Absorption-Type Merger)

- Article 35 (1) If all or part of the consideration in the absorption-type restructuring are shares or equity interests of the company surviving the absorption-type merger, the total amount of changes in shareholders' equity, etc. in the company surviving absorption-type merger (referred to as the "amount of changes in shareholders' equity, etc." in the following paragraph) is determined according to the methods as provided in the following items in accordance with the categories of cases stated in those items:
- (i) when the relevant absorption-type merger is an acquisition of control (excluding cases of acquisition of control by the company disappearing in the absorption-type merger): a method of calculation that takes as its basis the market value of consideration in the absorption-type restructuring or the market value of the property subject to absorption-type restructuring;
 - (ii) when the company surviving the absorption-type merger and the company disappearing in the absorption-type merger are under common control: a method of calculation that takes as its basis the book value of the property subject to absorption-type restructuring immediately before the absorption-type merger (when there is a portion that should be calculated according to the method prescribed in the preceding item; that method);
 - (iii) cases other than those stated in the preceding two items: the method prescribed in the preceding item.
- (2) In the cases referred to in the preceding paragraph, the amount of increase in the stated capital and the capital surplus of a company surviving the absorption-type merger are each to be determined by the company surviving the absorption-type merger in accordance with the provisions of the absorption-type merger agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings is not to change; provided, however, that if the amount of changes in shareholders' equity, etc. is less than zero, within the amount of changes in shareholders' equity, etc., the amount of loss arising from the disposal of treasury shares used as consideration is to be the amount of decrease in other capital surplus (if the company surviving absorption-type merger is a membership company; the capital surplus; the same applies in the following Article); any remaining amount is to be from the amount of decrease in other retained earnings (if the company surviving absorption-type merger is a membership company; the retained earnings; the same applies in the following Article); and the amounts of the stated capital, the capital reserves, and the retained earnings reserve are not to change.

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

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

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

Subsection 2 Absorption-Type Company Split

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

Succeeding in the Absorption-Type Split)

- Article 37 (1) If all or part of the consideration in the absorption-type restructuring is shares or equity interests of a company succeeding in the absorption-type split, the total amount of changes in shareholders' equity, etc. in the company succeeding in the absorption-type split (referred to as "amount of changes in shareholders' equity, etc." in the following paragraph) is determined according to the methods as provided in the following items in accordance with the categories of cases stated in those items:
- (i) when the relevant absorption-type split falls under the category of an acquisition of control (excluding cases of an acquisition of control by the company splitting in the absorption-type split): a method of calculation that takes as its basis the market value of the consideration in the absorption-type restructuring or the market value of the property subject to absorption-type restructuring;
 - (ii) cases other than those stated in the preceding item, when a market value is to be entered for the property subject to absorption-type restructuring: a method as prescribed in the preceding item;
 - (iii) when the company succeeding in the absorption-type split and the company splitting in the absorption-type split are under common control (excluding the cases stated in the preceding items): a method of calculation taking as its basis the book value of the property subject to absorption-type restructuring immediately before the absorption-type company split (when there is a portion that should be calculated according to the method prescribed in item (i); that method);
 - (iv) cases other than those stated in the preceding three items: a method as prescribed in the preceding item.
- (2) In cases referred to in the preceding paragraph, the amount of increase of the stated capital and the capital surplus of a company succeeding in the absorption-type split are each to be determined by the company succeeding in the absorption-type split in accordance with the provisions of the absorption-type split agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings is not to change; provided, however, that if the amount of changes in shareholders' equity, etc. is less than zero, within the amount of changes in shareholders' equity, etc., the amount of loss arising from the disposal of treasury shares used as consideration is to be deducted from other capital surplus (if the company succeeding in the absorption-type split is a membership company, the capital surplus; the same applies in the following Article); any remaining amount is to be deducted from other retained earnings (if the company succeeding in the absorption-type split is a membership company, the retained earnings; the same applies in the following Article); and the amounts of the

stated capital, the capital reserves, and the retained earnings reserves are not to change.

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

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

(2) If consideration in the absorption-type restructuring does not exist, when it is appropriate to calculate all or part of the shareholders' equity, etc. of the company splitting in the absorption-type split immediately before the absorption-type company split as being carried over, the sum of the amounts of stated capital and capital surplus of the company splitting in the absorption-type split that change due to the absorption-type company split may be taken as the amount of changes in other capital surplus of the company succeeding in the absorption-type split, and the amount of retained earnings of the company splitting in the absorption-type split that change due to the absorption-type company split may be taken as the amount of changes in other retained earnings of the company succeeding in the absorption-type split.

(3) For changes to the amounts of stated capital, capital surplus or retained earnings of the company splitting in the absorption-type split upon the absorption-type company split in the cases referred to in the preceding two paragraphs, these are to be governed by the provisions of Part II, Chapter V, Section 3, Subsection 2 of the Act and any other provisions of the Act.

Subsection 3 Share Exchange

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

- (i) when the relevant share exchange is an acquisition of control (excluding when the wholly owned subsidiary company resulting from the share exchange acquires control): a method of calculation that takes as its basis the market value of the consideration in the absorption-type restructuring or the market value of the shares of the wholly owned subsidiary company resulting from the share exchange;
- (ii) when the wholly owning parent company resulting from the share exchange and the wholly owned subsidiary company resulting from the share exchange are under common control: a method of calculation that takes as its basis the book value of the property of the wholly owned subsidiary company resulting from the share exchange immediately before the share exchange (when there is a portion that should be calculated according to the method prescribed in preceding item; that method);
- (iii) cases other than those stated in the preceding two items: a method as prescribed in the preceding item.

(2) In the cases referred to in the preceding paragraph, the amounts of increase of the stated capital and capital surplus of a wholly owning parent company resulting from a share exchange are to be determined by the wholly owning parent company resulting from the share exchange in accordance with the provisions of the share exchange agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings are not to change; provided, however, that in cases other than those in which procedures under the provisions of Article 799 of the Act (including when it is applied *mutatis mutandis* pursuant to Article 802, paragraph (2) of the Act following the deemed replacement of terms) are undertaken, the amounts of increase of the stated capital and capital reserves of a wholly owning parent company resulting from a share exchange are each to be the amounts that are determined by the wholly owning parent company resulting from a share exchange (if the wholly owning parent company resulting from a share exchange is a membership company; the amount of changes in shareholders' equity, etc.) in accordance with the provisions of the share exchange agreement, within a scope ranging from the amount obtained by multiplying by the share issue rate (meaning the rate obtained by dividing the number of shares issued at the share exchange by the sum of the number of those shares and the

number of treasury shares used as consideration) the amount obtained by adding the book value of treasury shares used as consideration to the amount of changes in shareholders' equity, etc. to the amount of changes in shareholders' equity, etc. (if the amount obtained by multiplying by the share issue rate the amount obtained by adding the book value of treasury shares used as consideration to the amount of changes in shareholders' equity, etc. exceeds the amount of changes in shareholders' equity, etc., the amount of changes in shareholders' equity, etc.), and the amounts obtained by subtracting the sum of the increased amounts from the amount of changes in shareholders' equity, etc. are the amount of changes in other capital surplus.

- (3) Notwithstanding the provisions of the preceding paragraph, if the amount of changes in shareholders' equity, etc. is less than zero, within the amount of changes in shareholders' equity, etc., the amount of losses arising from the disposal of treasury shares used as consideration is to be deducted from other capital surplus (if the wholly owning parent company resulting from a share exchange is a membership company; the capital surplus); any remaining amount is to be deducted from other retained earnings (if the wholly owning parent company resulting from a share exchange is a membership company, the retained earnings); and the amounts of the stated capital, the capital reserves, and the retained earnings reserves are not to change.

Subsection 4 Share Delivery

Article 39-2 (1) The total amount of changes in shareholders' equity, etc. in the share delivery parent company upon the share delivery (referred to below as "amount of changes in shareholders' equity, etc." in this Article) is determined according to the methods as provided in the following items in accordance with the categories of cases listed in those items:

- (i) when the relevant share delivery is an acquisition of control (excluding when the share delivery subsidiary acquires control): a method of calculation that takes as its basis the market value of the consideration in absorption-type restructuring or the market value of the share options, etc. of the share delivery subsidiary;
 - (ii) when the share delivery parent company and the share delivery subsidiary are under common control: a method of calculation that takes as its basis the book value of the property of the share delivery subsidiary immediately before the share delivery (when there is a portion that should be calculated according to the method prescribed in preceding item, that method); and
 - (iii) cases other than those listed in the preceding two items: a method as prescribed in the preceding item.
- (2) In the cases stated in the preceding paragraph, the amounts of increase of the

stated capital and capital surplus of a share delivery parent company are to be determined by the share delivery parent company in accordance with the provisions of the share delivery plan, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings are not to change; provided, however, that in cases other than those in which procedures pursuant to the provisions of Article 816-8 are undertaken, the amounts of increase of the stated capital and capital reserves of a share delivery parent company are each to be amounts that are determined by the share delivery parent company in accordance with the provisions of the share delivery plan, within a scope ranging from the amount obtained by multiplying by the share issue rate (meaning the rate obtained by dividing the number of shares issued at the share delivery by the sum of the number of those shares and the number of treasury shares used as consideration) the amount obtained by adding the book value of treasury shares used as consideration to the amount of changes in shareholders' equity, etc. to the amount of changes in shareholders' equity, etc. (if the amount obtained by multiplying by the share issue rate the amount obtained by adding the book value of treasury shares used as consideration to the amount of changes in shareholders' equity, etc. exceeds the amount of changes in shareholders' equity, etc., the amount of changes in shareholders' equity, etc.), and the amount obtained by subtracting the sum of the increased amounts from the amount of changes in shareholders' equity, etc. are the amount of changes in other capital surplus.

- (3) Notwithstanding the provisions of the preceding paragraph, if the amount of changes in shareholders' equity, etc. is less than zero, within the amount of changes in shareholders' equity, etc., the amount of losses arising from the divestment of treasury shares used as consideration is to be deducted from other capital surplus; any remaining amount is to be deducted from other retained earnings; and the amounts of the stated capital, the capital reserves, and the retained earnings reserves are not to change.

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

(Disposal of Treasury Shares of a Company Splitting in the Absorption-Type Split)

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

in item (i) and item (ii):

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

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

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

- (i) the amount of other capital surplus of the wholly owned subsidiary company resulting from the share exchange immediately before the share exchange;
 - (ii) the book value to be entered as the consideration in the absorption-type restructuring whose delivery is received by the wholly owned subsidiary company resulting from the share exchange;
 - (iii) the book value of treasury shares acquired by the wholly owning parent company resulting from the share exchange.
- (2) In the cases prescribed in the preceding paragraph, the amount of consideration for treasury shares is the amount stated in item (ii) of that paragraph.

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

Article 42 (1) If, upon a share transfer, a wholly owned subsidiary company resulting from the share transfer allows the wholly owning parent company incorporated in the share transfer to acquire its treasury shares, the amount of other capital surplus of the wholly owned subsidiary company resulting from the share transfer after the share transfer is the amount obtained by

subtracting the amount stated in item (iii) from the sum of the amounts stated in item (i) and item (ii):

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

Section 5-2 Shareholders' Equity in Cases When Shares are Delivered as Remunerations for Director, Etc.

(Amount of Change in Shareholders' Equity When Director, Etc. Provide Service to Stock Company in Consideration for Shares for Subscription in Course of Execution of Duties after Allotment Date)

Article 42-2 (1) when subscribers for shares for subscription are solicited pursuant to Article 202-2, paragraph (1) of the Act (including the case where it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if a director or executive officer who subscribes for the shares for subscription (referred to in below as "director, etc." in this Section and Article 54-2) provides, after the allotment date (meaning an allotment date as provided in Article 202-2, paragraph (1), item (ii) of the Act; the same applies below in this Section and Article 54-2) for the shares for subscription, service to a stock company in consideration for the shares for subscription in the course of execution of duties, the amount of stated capital to be increased as of the last day of each business year (when the stock company intends to prepare or has prepared provisional financial statements, the provisional account closing day; referred to in below as a "date of change of shareholders' equity" in this paragraph and paragraph (5)) due to the issuance of shares for subscription is, unless otherwise provided in this Ministerial Order, the amount obtained by multiplying the amount obtained by subtracting the amount listed in item (ii) from the amount listed in item (i) by the share issue rate (meaning the rate obtained by dividing the number of shares issued at the solicitation by the sum of the number of shares issued and the number of treasury shares disposed of at the solicitation; the same applies below in this Article) (if this is less than

zero; zero; referred to below as a "maximum amount of increase in stated capital" in this Article).

- (i) the amount obtained by subtracting the amount listed in (b) from the amount listed in (a) (if this is less than zero; zero);
 - (a) a fair value of the service provided by the director, etc. to the stock company in the course of execution of duties on or before the date of change of shareholders' equity (limited to the services provided in consideration for the shares for subscription; the same applies in (b));
 - (b) a fair value of the service provided by the director, etc. to the stock company in the course of execution of duties on or before the date of change of shareholders' equity immediately before the relevant date of change of shareholders' equity;
 - (ii) among the amounts of expenses concerning the delivery of shares for subscription taken as the matters listed in Article 199, paragraph (1), item (v) of the Act, the amount determined by the stock company as the amount to be subtracted from the maximum amount of increase in stated capital.
- (2) The stock company may elect not to record, as the stated capital, the amount not exceeding half of the maximum amount of increase in stated capital.
- (3) The amount not to be recorded as the stated capital pursuant to the preceding paragraph must be recorded as capital reserves.
- (4) When subscribers for shares for subscription are solicited pursuant to Article 202-2, paragraph (1) of the Act (including the case in which it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if a director, etc. provides service to a stock company in consideration for the shares for subscription in the course of execution of duties after the allotment date for the shares for subscription, the book value of treasury shares to be disposed of at the solicitation as of the allotment date is to be subtracted from the amount of other capital surplus.
- (5) When subscribers for shares for subscription are solicited pursuant to Article 202-2, paragraph (1) of the Act (including the case where it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if a director, etc. provides service to a stock company in consideration for the shares for subscription in the course of execution of duties after the allotment date for the shares for subscription, the amounts of change specified in the following items as of the date of change of shareholders' equity are as respectively stated in the relevant items.
- (i) the amount of other capital surplus: the amount obtained by multiplying by the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one) the amount obtained by subtracting the amount listed in item (ii) of paragraph (1) from the amount listed in item (i) of that paragraph (if this is less than zero; zero);

- (ii) the amount of other retained earnings: if the amount obtained by subtracting the amount listed in item (ii) of paragraph (1) from the amount listed in item (i) of that paragraph is less than zero, the amount obtained by multiplying the share issue rate by the relevant amount.
- (6) When subscribers for shares for subscription are solicited pursuant to Article 202-2, paragraph (1) of the Act (including the case where it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if a director, etc. provides service to a stock company in consideration for the shares for subscription in the course of execution of duties after the allotment date for the shares for subscription, the amount of consideration for treasury shares is zero.
- (7) Notwithstanding the provisions of Article 24, paragraph (1), in when the stock company delivers its company shares to a director, etc. by way of disposal of treasury shares upon the solicitation pursuant to Article 202-2, paragraph (1) of the Act (including the case where it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if the director, etc. transfers to the stock company without compensation, and the stock company acquires the shares in accordance with an agreement upon the allotment of the shares to the director, etc., the amount of treasury shares reduced by the disposal is treated as the amount of the treasury shares to be increased.

(Amount of Change of Shareholders' Equity When Director, Etc. Provides Service to Stock Company in Consideration for Shares for Subscription in Course of Execution of Duties before Allotment Date)

Article 42-3 (1) When subscribers for shares for subscription are solicited pursuant to Article 202-2, paragraph (1) of the Act (including the case where it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if a director, etc. provides, before the allotment date for the shares for subscription, service to a stock company in consideration for the shares for subscription in the course of execution of duties, the amount of stated capital to be increased due to the issuance of shares for subscription is, unless otherwise provided in this Ministerial Order, the amount obtained by multiplying the amount obtained by subtracting the amount listed in item (ii) from the amount listed in item (i) by the share issue rate (meaning the rate obtained by dividing the number of shares issued at the solicitation by the sum of the number of shares issued and the number of treasury shares disposed of at the solicitation; the same applies below in this Article) (if this is less than zero; zero; referred to below as a "maximum amount of increase in stated capital" in this Article).

- (i) the amount of share award rights reduced pursuant to Article 54-2, paragraph (2);
- (ii) among the amounts of expenses related to the delivery of shares for

- subscription taken as the matters listed in Article 199, paragraph (1), item (v) of the Act, the amount determined by the stock company as the amount to be subtracted from the maximum amount of increase in stated capital.
- (2) The stock company may decide not to record as the stated capital the amount not exceeding the half of the maximum amount of increase in stated capital.
- (3) The amount not to be recorded as the stated capital pursuant to the preceding paragraph must be recorded as capital reserves.
- (4) When subscribers for shares for subscription are solicited pursuant to Article 202-2, paragraph (1) of the Act (including the case where it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if a director, etc. provides, before the allotment date for the shares for subscription, service to a stock company in consideration for the shares for subscription in the course of execution of duties, the amount specified in the following items after the relevant act is the sum of the relevant amount immediately before the act and the amount specified in the relevant item, respectively.
- (i) the amount of other capital surplus: the amount obtained by subtracting the amounts specified in (b) from the amount specified (a):
- (a) the amount obtained by multiplying the amount obtained by subtracting the amount specified in item (ii) of paragraph (1) from the amount specified in item (i) of that paragraph by the treasury share disposal rate (meaning the rate obtained by subtracting the share issue rate from one; the same applies in paragraph (5)); and
- (b) the book value of treasury shares to be disposed upon the solicitation.
- (ii) the amount of other retained earnings: if the amount obtained by subtracting the amount listed in item (ii) of the preceding paragraph from the amount listed in item (i) of that paragraph is less than zero, the amount obtained by multiplying the share issue rate by the relevant amount.
- (5) When subscribers for shares for subscription are solicited pursuant to Article 202-2, paragraph (1) of the Act (including when it is applied by replacing certain terms pursuant to paragraph (3) of that Article), if a director, etc. provides, before the allotment date for the shares for subscription, service to a stock company in consideration for the shares for subscription in the course of execution of duties, the amount of consideration for treasury shares is the amount obtained by multiplying the amount obtained by subtracting the amount specified in item (ii) of paragraph (1) from the amount specified in item (i) of that paragraph by the treasury share disposal ratio.

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

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

Article 43 (1) The amount of property paid or delivered to the relevant stock company by a person who is the shareholder prescribed by Article 445, paragraph (1) of the Act concerning the issuance of shares taking place at the time of incorporation of a stock company if a stock company is incorporated through the methods stated in the items of Article 25, paragraph (1) of the Act is the amount obtained by subtracting the amount stated in item (iii) from the sum of the amounts stated in item (i) and item (ii) (if this is less than zero; zero):

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

- paragraph (1) of the Act; the same applies below in this Article), is zero.
- (3) The amount of retained earnings reserves of a stock company at the time of incorporation is zero.
 - (4) The amount of other retained earnings of a stock company at the time of incorporation is zero (if the amount obtained by subtracting the amount stated in item (iii) of paragraph (1) from the sum of the amounts stated in item (i) and item (ii) of that paragraph is less than zero; that amount).
 - (5) With respect to the application of the provisions of paragraph (1), item (ii), the amount determined in the articles of incorporation regarding property contributed in kind, and the book value of the property contributed in kind (including the amounts of stated capital and capital reserves concerning the contributions) must not be interpreted as being required to be of the same amount.

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

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

- (i) the value of property at the time of contribution that is paid or delivered to the membership company as contributions made at the time of incorporation (referred to below as "property contributed" in this Article) (for property contributed in the cases stated in (a) or (b) below; the amount as provided in (a) or (b)):
 - (a) when the membership company and the person delivering the relevant property contributed are to come under common control (excluding the when a market value is to be entered for the property contributed): the book value of the property contributed immediately before the payment or delivery according to the person making the payment or delivery;
 - (b) in cases other than those stated in (a), when calculations for the amount to be recorded as the amount of stated capital or capital surplus through the value of property contributed received as the delivery are inappropriate: the book value prescribed in (a);
 - (ii) among the amounts of expenses required at incorporation, the amount which has been determined by persons desiring to become members at the time of incorporation as the amount to be subtracted from the amount to be recorded as the amount of stated capital or capital surplus at incorporation.
- (2) The amount of capital surplus at the time of incorporation of a membership

company, is the amount obtained by subtracting the amount stated in item (ii) from the amount stated in item (i):

(i) the value of property contributed;

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

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

Subsection 2 Consolidation-Type Merger

(Shareholders' Equity, Etc. in a Company Incorporated in the consolidation-type merger in Cases of Acquisition of Control)

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

(i) the portion concerning the acquiring company in consolidation-type merger: an amount determined in accordance with a method of calculation taking as its basis the book value of the property of the acquiring company in consolidation-type merger immediately before the consolidation-type merger;

(ii) the portion concerning the company disappearing in the consolidation-type merger that is not the acquiring company in the consolidation-type merger: an amount determined in accordance with a method of calculation taking as its basis the market value of consideration in a consolidation-type restructuring or the market value of property subject to consolidation-type restructuring delivered to shareholders, etc. of the company disappearing in the consolidation-type merger.

- (2) In the cases referred to in the preceding paragraph, the amount of stated capital and capital surplus at the time of incorporation of the company incorporated in the consolidation-type merger is determined by the company disappearing in the consolidation-type merger in accordance with the provisions of the consolidation-type merger agreement, within the scope of the amount of changes in shareholders' equity, etc., and the amount of retained earnings is zero; provided, however, that if the amount of changes in shareholders' equity, etc. is less than zero, that amount is the amount of other retained earnings at the time of incorporation (if the company incorporated in the consolidation-type merger is a membership company, the retained earnings; the same applies in Article 47, paragraph (2)), and the amounts of

stated capital, capital surplus and retained earning reserves are zero.

(3) Notwithstanding the provisions of the preceding two paragraphs, in the cases stated in paragraph (1), when all of the consideration in a consolidation-type restructuring delivered to shareholders, etc. of the acquiring company in consolidation-type merger is shares or equity interests of the company incorporated in the consolidation-type merger, the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in the consolidation-type merger may be taken as the sum of the amounts calculated through mutatis mutandis application of the provisions of the following items in accordance with the categories of the portions stated in those items:

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

(Shareholders' Equity, Etc. in a Company Incorporated in the consolidation-type merger in Cases of Being under Common Control)

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

(2) In the cases referred to in the preceding paragraph, the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in the consolidation-type merger are the sum of the amounts calculated through mutatis mutandis application of the provisions of the following items in accordance with the categories of the portions stated in those items:

- (i) the portion concerning a consolidated company succeeding to shareholders' equity: paragraph (1) of the following Article;
- (ii) the portion concerning a consolidated company not succeeding to shareholders' equity: paragraph (2) of the preceding Article.

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

Article 47 (1) In the cases referred to in paragraph (1) of the preceding Article, when all of the consideration in a consolidation-type restructuring is shares or equity interests of the company incorporated in the consolidation-type merger, and, when it is appropriate to calculate the shareholders' equity, etc. of the companies disappearing in the consolidation-type merger immediately before the consolidation-type merger as being carried over, the sum of each of the amounts of stated capital, capital surplus and retained earnings of each of the companies disappearing in the consolidation-type merger immediately before the consolidation-type merger may each be taken as the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in the consolidation-type merger; provided, however, that if there are previously acquired shares, etc., the amount obtained by subtracting the book value of the previously acquired shares, etc. from the sum of other capital surplus (if the company incorporated in the consolidation-type merger is a membership company, the capital surplus; the same applies below in this Article) of each of the companies disappearing in the consolidation-type merger immediately before the consolidation-type merger is the amount of other capital surplus at the time of incorporation of the company incorporated in the consolidation-type merger.

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

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

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

Subsection 3 Incorporation-Type Company Split

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

Article 49 (1) The total amount of shareholders' equity, etc. at the time of incorporation of a company incorporated in the incorporation-type split (except for a company incorporated in the incorporation-type split in the case that two or more companies effect the incorporation-type company split; the same applies below in this Article and the following Article) is the amount (referred to as the "amount of changes in shareholders' equity, etc." in the following paragraph) determined in accordance with a method of calculation taking as its base the book value of property subject to consolidation-type restructuring immediately before the incorporation-type company split according to the company splitting in the incorporation-type split (if the market value is to be entered for the property subject to consolidation-type restructuring, a method of calculation taking as its basis the market value of consideration in a consolidation-type restructuring or the market value of the property subject to consolidation-type restructuring).

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

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

Article 50 (1) Notwithstanding the provisions of the preceding Article, if all of the consideration in a consolidation-type restructuring of the incorporation-type company split-off is shares or equity interests of the company incorporated in the incorporation-type split, when it is appropriate to calculate all or part of the shareholders' equity, etc. of the company splitting in the incorporation-type split immediately before the incorporation-type company split as being carried over, the amounts of stated capital, capital surplus and retained earnings of the company splitting in the incorporation-type split that change due to the incorporation-type company split may each be taken as the amounts of stated capital, capital surplus and retained earnings at the time of incorporation of the company incorporated in the incorporation-type split.

(2) Concerning changes to the amounts of stated capital, capital surplus or retained earnings upon the incorporation-type company split in the company

splitting in the incorporation-type split in cases referred to in the preceding paragraph, the governing provisions are Part II, Chapter V, Section 3, Subsection 2 of the Act, and any other provisions of the Act.

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

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

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

Subsection 4 Share Transfer

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

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

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

Section 7 Valuation and Translation Differences or Other Comprehensive Accumulated Income

(Valuation and Translation Differences or Other Comprehensive Accumulated Income)

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

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

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

Article 54 (1) In the absorption-type merger or absorption-type company split, or in the consolidation-type merger or incorporation-type company split (referred to in below as "merger or company split" in this paragraph), if land for which

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

- (2) If, in a share exchange, share delivery or share transfer (referred to below as the "exchange or delivery or transfer" in this paragraph), land for which the recorded revaluation difference stated in item (iii) of the preceding Article is included in the assets of the relevant wholly owned subsidiary company resulting from the share exchange, share delivery subsidiary, or wholly owned subsidiary company resulting from the share transfer (referred to below as the "wholly owned subsidiary company formed in exchange or delivery or transfer" in this paragraph), when the book value to be entered by the wholly owning parent company resulting from a share exchange or the wholly owning parent company incorporated in the share transfer with respect to the shares of the wholly owned subsidiary company formed in exchange or delivery or transfer is to be calculated with the amount obtained by subtracting the book value concerning liabilities (including obligations concerning share options) from the book value concerning the assets of the wholly owned subsidiary company formed in exchange or delivery or transfer (including its own share options) on the day on which the book value of the property of the wholly owned subsidiary company formed in exchange or transfer that is to be the basis for calculations is to be evaluated, the book value before revaluation under the provisions of the Act on Revaluation of Land concerning the relevant land is deemed to be the book value of the relevant land, and the provisions on calculation of shareholders' equity, etc. concerning the exchange or delivery or transfer apply.
- (3) If, in a business transfer or acceptance or delivery of shares or equity interests in exchange for property other than monies (referred to below as "contributions in kind, etc." in this paragraph), land included in the calculation of the revaluation difference stated in item (iii) of the preceding Article is included in the property that are the subject of a contribution in kind, etc. (referred to below as "subject property" in this paragraph), when the book value to be entered for the subject assets by the person acquiring the subject property is to be the book value of the contribution in kind, etc. immediately

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

Section 7-2 Share Award Rights

- Article 54-2 (1) If a director, etc. provides, before the allotment date for the shares for subscription under Article 202-2, paragraph (1) of the Act (including the case in which it is applied by replacing certain terms pursuant to paragraph (3) of that Article), service to a stock company in consideration for the shares for subscription in the course of execution of duties, the fair value of the service is treated as the amount of share award rights to be increased.
- (2) If a stock company allots shares for subscription referred to in the preceding paragraph to a director, etc. referred to in that paragraph, the book value of share award rights relating to the service referred to in that paragraph as of the allotment date for the shares for subscription is treated as the amount of share award rights to be reduced.

Section 8 Share Options

- Article 55 (1) If a stock company issues share options, the amount of monies paid in exchange for the share options, the amount of the delivery of property other than monies, or the amount set-off against claims against the stock company, and any other appropriate prices are the amount by which share options are to be increased.
- (2) The phrase "if a stock company issues share options" prescribed in the preceding paragraph means when share options are issued in the cases stated below:
- (i) when subscribers for share options for subscription are solicited pursuant to the provisions of Part II, Chapter III, Section 2 of the Act;
 - (ii) when shares with put options (limited to those in which there are provisions for the matters stated in Article 107, paragraph (2), item (ii), (c) or (d) of the Act) are acquired;
 - (iii) when shares subject to call (limited to those for which there are provisions concerning the matters stated in Article 107, paragraph (2), item (iii), (e) or (f) of the Act) are acquired;
 - (iv) when shares subject to class-wide call (limited to the shares subject to class-wide call, if provisions have been made for the matters stated in Article 171, paragraph (1), item (i), (c) or (d) at the acquisition of the shares subject to class-wide call) are acquired;

- (v) when an allotment of share options without contribution is made;
 - (vi) when share options subject to call (limited to those in which there are provisions for the matters stated in Article 236, paragraph (1), item (vii), (f) or (g) of the Act) are acquired;
 - (vii) when the stock company survives the absorption-type merger;
 - (viii) when another company succeeds to all or part of the rights and obligations related to that business through the absorption-type company split;
 - (ix) when all of the issued shares of another stock company are acquired through a share exchange; or
 - (x) when shares or share options, etc. of another stock company are to be acquired upon the share delivery.
- (3) If a stock company incorporated through the consolidation-type merger, incorporation-type company split or share transfer issues share options at incorporation, the appropriate price of the share options is the amount of share options at the time of incorporation.
- (4) In the cases stated respectively in the following items, the amounts as provided in those items are the amounts by which share options are to be reduced:
- (i) when a stock company cancels its own share options: the book value of share options equivalent to its own share options;
 - (ii) when share options have been exercised or have expired: the book value of the share options.
- (5) If a stock company acquires share options in the stock company, the value of that acquisition is the amount by which its own share options are to be increased.
- (6) With respect to a stock company's own share options stated respectively in the following items (limited to those acquired at a value exceeding the book value of the relevant share options), the price as provided in those items must be entered:
- (i) its own share options whose market value on the last day of the business year is significantly lower than the cost at acquisition (excluding those stated in the following item): whichever of the amounts stated in (a) or (b) is the highest:
 - (a) the market value on the last day of the business year;
 - (b) the book value of share options equivalent to its own share options.
 - (ii) its own share options found not to be disposed of: the book value of share options equivalent to its own share options.
- (7) If a stock company disposes of or cancels its own share options, or if its own share options have expired, the book value is the amount by which its own share options are to be reduced.

- (8) The provisions of paragraph (1) and paragraph (3) through to the preceding paragraph apply mutatis mutandis to share delivery claims (meaning rights other than share award rights and share options to receive delivery of shares of the relevant stock company through exercising against the relevant stock company; the same applies below in this Article).
- (9) With respect to the application of the provisions of Article 14, paragraph (1), when shares issued or treasury shares disposed of at solicitation of subscribers for shares for subscription are shares issued or treasury shares disposed of through the exercising of share delivery claims, the phrase "sum of the amounts stated in item (i) and item (ii)" in that paragraph is to read "the sum of the book value at the time of the exercising of the share delivery claims prescribed in Article 55, paragraph (8), and the sum of the amounts stated in item (i) and item (ii)".

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

- Article 56 (1) Matters related to goodwill, net assets and other accounts to be recorded by a reorganizing company (meaning a reorganizing company as prescribed in Article 2, paragraph (7) of the Corporate Reorganization Act; the same applies below in this paragraph and paragraph (3)) for acts carried out based on a reorganization plan (meaning a reorganization plan as prescribed in Article 2, paragraph (2) of that law; the same applies below in this paragraph) by the reorganizing company are to be governed by the provisions of the reorganization plan, notwithstanding the provisions of this Ministerial Order.
- (2) If it is determined in a reorganization plan (meaning a reorganization plan as prescribed in Article 2, paragraph (2) of the Corporate Reorganization Act, and Article 4, paragraph (2), and Article 169, paragraph (2) of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions (Act No. 95 of 1996; referred to below as the "Act on Special Measures for the Reorganizations" in this Article); the same applies below in this Article) that a stock company will be incorporated (excluding when it is determined that a stock company will be incorporated through the consolidation-type merger, incorporation-type company split or share transfer), matters related to goodwill, net assets and other accounts at the time of incorporation of the stock company are to be governed by the provisions of the reorganization plan, notwithstanding the provisions of this Ministerial Order.
- (3) If, in the reorganization plan, a company (excluding a reorganizing company) has allotted monies, etc. to be delivered to the reorganization creditors, etc. (meaning the reorganization creditors, etc. as prescribed in Article 2, paragraph (13) of the Corporate Reorganization Act, together with Article 4,

paragraph (13) and Article 169, paragraph (13) of the Act on Special Measures for the Reorganizations; the same applies below in this Article) of the reorganizing company, etc. (meaning the reorganizing company, the reorganizing cooperative financial institution as prescribed in Article 4, paragraph (7) of the Act on Special Measures, and the reorganizing company as prescribed in Article 169, paragraph (7) of the Act on Special Measures; the same applies in the following paragraph) upon the absorption-type merger or share exchange, the value of the monies, etc. delivered to the reorganization creditors, etc. is also to be considered to be the consideration in the absorption-type restructuring concerning the absorption-type merger or share exchange.

(4) In the reorganization plan, if a company incorporated through the consolidation-type merger or share transfer has allotted shares, equity interests or bonds, etc. to be delivered to the reorganization creditors, etc. of the reorganizing company, etc. upon the consolidation-type merger or share transfer, the price of the shares, equity interests or bonds, etc. delivered to the reorganization creditors, etc. is also to be considered to be the consideration in a consolidation-type restructuring concerning the consolidation-type merger or share transfer.

Part III Accounting Documents

Chapter I General Provisions

Section 1 Principles of Presentation

Article 57 (1) The amounts of matters concerning the accounting documents are to be presented in units of 1 yen, 1,000 yen, or 1,000,000 yen.

(2) Accounting documents are to be presented in Japanese; provided, however, that this does not apply if presentation of those documents in another language is not unreasonable.

(3) For the preparation of accounting documents (excluding detailed statements attached to financial statements for each business year), all of the constituent items in the balance sheet, profit and loss statement and any other accounting documents must not be interpreted as being required to be prepared as one document or other single material.

Section 2 Stock Company Financial Statements

(Balance Sheet on the Day of Formation)

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

(Financial Statements for Each Business Year)

Article 59 (1) What is prescribed by Ministry of Justice Order, as prescribed in Article 435, paragraph (2) of the Act, is the statements of changes in shareholders' equity, etc. and tables of explanatory notes on unconsolidated financial statements prepared in accordance with the provisions of this Part.

- (2) The period concerning the preparation of financial statements for each business year and its attached detailed statements is the period from the day following the last day of the business year before the relevant business year (if there was no business year before the relevant business year, the day of formation) to the last day of the relevant business year. In this case, that period may not exceed one year (for the first business year after changes are made, if the last day of the business year is changed; one year and six months).
- (3) Financial statements for each business year and attached detailed statements that are to be prepared pursuant to the provisions of Article 435, paragraph (2) of the Act, they must be prepared based on the accounting books concerning the relevant business year.

(Provisional Financial Statements)

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

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

Section 3 Stock Company Consolidated Financial Statements

(Consolidated Financial Statements)

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

- (i) the statements stated in (a) through (d) to be prepared in accordance with the provisions of this Part (excluding Articles 120 through 120-3):
- (a) consolidated balance sheets;

- (b) consolidated profit and loss statements;
- (c) consolidated statements of changes in shareholders' equity, etc.;
- (d) tables of explanatory notes on consolidated financial statements;
- (ii) statements to be prepared in accordance with the provisions of Article 120;
- (iii) statements to be prepared in accordance with the provisions of Article 120-2.
- (iv) statements to be prepared in accordance with the provisions of Article 120-3.

(Consolidated Fiscal Year)

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

(Scope of Consolidation)

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

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

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

(Subsidiary Companies with Different Periods as Their Business Years)

Article 64 (1) On the last day of the stock company's business year, a consolidated subsidiary company for which the last day of the business year is different from the last day of the stock company's business year, must perform settlements of accounts which are necessary for the preparation of financial

statements that are to be the basis for preparation of consolidated financial statements; provided, however, that this does not apply if the difference between the last day of the business year of the consolidated subsidiary company and the last day of the business year of the stock company does not exceed three months, when consolidated financial statements are prepared taking as their basis financial statements for the business year of the consolidated subsidiary company.

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

(Consolidated Balance Sheets)

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

(Consolidated Profit and Loss Statements)

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

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

Article 67 Consolidated statements of changes in shareholders' equity, etc. must

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

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

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

(Application of Means of Adjusting Equity)

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

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

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

exempted from the application of the means of adjusting equity.

Section 4 Membership Company Financial Statements

(Balance Sheet of the Day of Formation)

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

(Financial Statements for Each Business Year)

Article 71 (1) What is prescribed by Ministry of Justice Order, as mentioned in Article 617, paragraph (2) of the Act, are those statements which are provided in the following items in accordance with the categories of membership company stated in those items:

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

Chapter II Balance Sheets, Etc.

(General Rules)

Article 72 Balance sheets, etc. (meaning balance sheets and consolidated balance

sheets; the same applies below in this Part) are to be governed by this Chapter.

(Categories in the Balance Sheets, Etc.)

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

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

(2) Each entry in the section on assets or the section on liabilities must have an appropriate title given to it which indicates the asset or liability concerning the entry.

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

(Categories in the Section on Assets)

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

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

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

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

(3) The assets stated respectively in the following items are to belong to the categories as provided in those items:

- (i) assets stated below: current assets:
 - (a) cash and deposits (excluding deposits whose deadline will not arrive within one year);
 - (b) bills receivable (meaning bill claims (excluding bankruptcy or reorganization claims, or the like (meaning bankruptcy claims, rehabilitation claims, reorganization claims, and any other equivalent claims; the same applies below in this item), for which it is clear that payment may not be received within one year) arising out of ordinary transactions (meaning transactions that arise routinely or cyclically in short periods through the operating activities the relevant company carries out in pursuit of its business; the same applies below in this Chapter));

- (c) accounts receivable (meaning business accounts receivable (excluding the relevant accounts receivable if claims concerning the accounts receivable which are bankruptcy or reorganization claims, or the like for which it is clear that payment may not be received within one year) arising out of ordinary transactions);
- (d) among lease claims in a finance lease under which ownership is transferred, those which arise out of ordinary transactions (excluding those which are bankruptcy or reorganization claims, or the like for which it is clear that collection will not be received within one year), and those which arise out of transactions that are not ordinary transactions and whose deadline will arrive within one year;
- (e) among lease investment assets in a finance lease under which ownership is not transferred, those which arise out of ordinary transactions (excluding those which are bankruptcy or reorganization claims, or the like for which it is clear that collection will not be received within one year), and those which arise out of transactions that are not ordinary transactions and whose deadline will arrive within one year;
- (f) trading securities and securities that will reach maturity within one year;
- (g) commodities (including land, buildings or other real property owned for the purposes of sale);
- (h) manufactured goods, by-products and waste;
- (i) semi-finished goods (including self-made components);
- (j) raw ingredients and materials (including purchased components);
- (k) goods in process and partly-finished work;
- (l) consumable goods, consumable tools, utensils and equipment, and any other inventory goods above a considerable value;
- (m) advances (meaning advances (excluding the advances if claims concerning the advances are bankruptcy or reorganization claims, or the like for which it is clear that payment may not be received within one year) for the purpose of the purchase of commodities and raw materials (including their equivalents));
- (n) expenses paid in advance that are to become expenses within one year;
- (o) uncollected income;
- (p) other assets for which it is found that they may be realized within one year;
- (ii) assets stated below (provided, however, that with respect to the assets stated in (a) through (h); limited to those which will be used for business operations): tangible fixed assets:
 - (a) buildings and accessory equipment for heating, illumination, ventilation, and the like;
 - (b) structures (meaning docks, bridges, quays, piers, tramways, reservoirs,

- tunnels, chimneys and any other civil engineering equipment or constructions fixed in the ground);
- (c) machinery and apparatus as well as equipment for moving hoists, conveyors, cranes, and the like, and their components;
- (d) ships and vessels and water transportation equipment;
- (e) railway vehicles, automobiles and any other surface transportation equipment;
- (f) tools, utensils and fixtures (limited to those with a useful life of one year or more);
- (g) land;
- (h) leased assets (limited to those for which the relevant company is the lessee of the leased object under a finance lease, if the leased object is one of those stated in (a) through (g), and (j));
- (i) construction in progress (meaning expenditures arising if those assets stated in (a) through (g) which are to be used for business operations are constructed, and raw materials are appropriated for the purposes of the construction);
- (j) any other tangible assets which should belong to the tangible fixed assets;
- (iii) assets stated below: intangible fixed assets:
 - (a) patent rights;
 - (b) land lease rights (including superficies rights);
 - (c) trademark rights;
 - (d) utility model rights;
 - (e) design rights;
 - (f) mining rights;
 - (g) fishing rights (including common of piscary);
 - (h) software;
 - (i) goodwill;
 - (j) leased assets (limited to those for which the relevant company is the lessee of the leased object under a finance lease, if the leased object is one of those stated in (a) through (h), and (k));
 - (k) any other intangible assets which should belong to the intangible fixed assets;
- (iv) assets stated below: investments and other assets:
 - (a) shares of an associated company (excluding shares that fall under the category of trading securities; the same applies below), and any other securities not belonging to the current assets;
 - (b) contributions to capital;
 - (c) long-term loans;
 - (d) prepaid pension costs (in a consolidated balance sheet, the net defined benefit asset);

- (e) deferred tax assets;
 - (f) among lease claims in a finance lease under which ownership is transferred, those which are not stated in item (i), (d);
 - (g) among lease investment assets in a finance lease under which ownership is not transferred, those which are not stated in item (i), (e);
 - (h) other assets which are to belong to the investments and other assets;
 - (i) other assets that are not to belong to the current assets, tangible fixed assets, intangible fixed assets or deferred tax assets;
 - (v) assets for which the recording as deferred assets is found to be appropriate: deferred assets.
- (4) The term "within one year" prescribed in the preceding paragraph means a day within one year commencing from the day as provided in the following items in accordance with the categories of balance sheets, etc. stated in those items (the same applies below in this Part):
- (i) the balance sheet on the day of formation: the day of formation of the company;
 - (ii) the balance sheet for a business year: the day following the last day of the business year;
 - (iii) balance sheet for provisional financial statements: the day following the provisional account closing day;
 - (iv) consolidated balance sheets: the day following the last day of the consolidated fiscal year.

(Categories in the Section on Liabilities)

- Article 75 (1) The section on liabilities must be classified under the following entries; in those cases, each entry must be subdivided into appropriate entries:
- (i) current liabilities;
 - (ii) fixed liabilities.
- (2) The liabilities stated respectively in the following items are to belong to the categories as provided in those items:
- (i) liabilities stated below: current liabilities:
 - (a) bills payable (meaning obligations on negotiable instruments arising from ordinary transactions);
 - (b) accounts payable (meaning business payables arising out of ordinary transactions);
 - (c) advances received (meaning advances for work orders received, goods orders received, and the like);
 - (d) allowances (excluding those concerning assets, and those which it is found will not be exercised within one year);
 - (e) payables or deposits received arising in association with ordinary transactions that as regular trading practices will be paid within a short

- period after arising;
- (f) accrued expenses;
- (g) deferred revenue;
- (h) among lease obligations in finance leases, those for which the deadline will arrive within one year;
- (i) among asset removal obligations, those for which it is found that they will be performed within one year;
- (j) other liabilities, for which it is found that they will be paid or repaid within one year;
- (ii) liabilities stated below: fixed liabilities:
 - (a) bonds;
 - (b) long-term borrowings;
 - (c) allowances (excluding those concerning assets, those stated in (d) of the preceding item, and the accrued retirement benefits stated in (d));
 - (d) accrued retirement benefits (in a consolidated balance sheet, the net defined benefit liability);
 - (e) deferred tax liabilities;
 - (f) goodwill;
 - (g) among lease obligations in finance leases, those which are not stated in (h) of the preceding item;
 - (h) among asset removal obligations, those which are not stated in (i) of the preceding item;
 - (i) other liabilities that do not belong to the current liabilities.

(Categories in the Section on Net Assets)

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

- (i) the balance sheet of a stock company: the entries stated below:
 - (a) shareholders' equity;
 - (b) valuation and translation differences;
 - (c) share award rights; and
 - (d) share options.
- (ii) the consolidated balance sheet of a stock company: the entries stated below:
 - (a) shareholders' equity;
 - (b) any of the entries stated below:
 1. valuation and translation differences;
 2. other comprehensive accumulated income;
 - (c) share award rights;
 - (d) share options; and
 - (e) non-controlling interests;

- (iii) the balance sheet of a membership company: the entries stated below:
 - (a) members' equity;
 - (b) valuation and translation differences.
- (2) The entries concerning shareholders' equity must be classified under the following entries. In those cases, the entry stated in item (v) is a deduction:
 - (i) stated capital;
 - (ii) deposits for subscriptions to shares;
 - (iii) capital surplus;
 - (iv) retained earnings;
 - (v) treasury shares;
 - (vi) deposits for subscriptions to treasury shares.
- (3) The entries concerning member equity must be categorized into the following entries:
 - (i) stated capital;
 - (ii) deposits for capital subscriptions;
 - (iii) capital surplus;
 - (iv) retained earnings.
- (4) The entries concerning the capital surplus in the balance sheet of a stock company must be categorized into the following entries:
 - (i) capital reserves;
 - (ii) other capital surplus.
- (5) The entries concerning retained earnings in the balance sheet of a stock company must be categorized into the following entries:
 - (i) retained earnings reserves;
 - (ii) other retained earnings.
- (6) The entries stated in paragraph (4), item (ii) and item (ii) of the preceding paragraph may be subdivided into entries with appropriate titles.
- (7) The entries concerning valuation and translation differences or other comprehensive accumulated income must be subdivided into the entries stated below, or into any other entries with appropriate titles; provided, however, that the entries stated in items (iv) and (v) are limited to consolidated balance sheets:
 - (i) other securities valuation difference;
 - (ii) deferred gains or losses on hedges;
 - (iii) land revaluation differences;
 - (iv) exchange conversion adjustment accounts;
 - (v) remeasurements of defined benefit plans.
- (8) The entries concerning share options may be categorized as deductions from the entries concerning its own share options.
- (9) In the consolidated balance sheet, matters to be included in the calculation of the matters stated in each of the following items are as provided in those

items:

- (i) the treasury shares stated in paragraph (2), item (v): the sum of the amounts stated below:
 - (a) the book value of shares in the relevant stock company held by the stock company;
 - (b) among the book values of shares in the relevant stock company held by consolidated subsidiaries as well as unconsolidated subsidiary companies and affiliated companies applying the means of adjusting equity, an amount corresponding to the equity interests of those companies held by the stock company;
- (ii) the exchange conversion adjustment accounts stated in paragraph (7), item (iv): conversion differences arising due to a difference between the exchange rate used in conversions of assets or liabilities of subsidiary companies or affiliated companies in foreign countries, and the exchange rate used in conversions of net assets;
- (iii) the remeasurements of defined benefit plans stated in paragraph (7), item (v): the sum of the amounts of the entries stated below:
 - (a) unrecognized actuarial differences;
 - (b) unrecognized past service cost;
 - (c) other entries of which amounts are found appropriate to be recorded in the remeasurements of defined benefit plans.

(Presentation of Inventories and Allowances for Construction Losses)

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

(Presentation of Allowances for Bad Debts)

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

(Presentation of the Accumulated Depreciation of Tangible Fixed Assets)

- Article 79 (1) In addition to cases under the provisions of the following paragraph, the accumulated depreciation of each tangible fixed asset must be presented as deductions in the entries for each relevant tangible fixed asset, in entries for accumulated depreciation; provided, however, that this does not preclude these deductions for tangible fixed assets from being presented as deductions collectively.
- (2) The accumulated depreciation of each tangible fixed asset may be directly deducted from the amount of each relevant tangible fixed asset, and any balance remaining after deduction may then be presented as the amount of each relevant tangible fixed asset.

(Presentation of Accumulated Impairment Loss on Tangible Fixed Assets)

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

(Presentation of Intangible Fixed Assets)

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

(Presentation of Shares of Associated Companies)

- Article 82 (1) Shares or capital contributions in associated companies must be presented separately in entries for shares in associated companies or contributions to capital in associated companies.

- (2) The provisions of the preceding paragraph do not apply to consolidated balance sheets or balance sheets of member companies.

(Presentation of Deferred Tax Assets)

Article 83 (1) For amounts of deferred tax assets and deferred tax liabilities, only the difference can be presented in investments and other assets or fixed liabilities as deferred tax assets or deferred tax liabilities.

- (2) For the application of the provisions of the preceding paragraph concerning consolidated balance sheets, the phrase "the difference" in that paragraph means "the difference, except for matters concerning different taxable entities".

(Presentation of Deferred Assets)

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

(Goodwill in Consolidated Balance Sheets)

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

(Presentation of Share Options)

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

Chapter III Profit and Loss Statements, Etc.

(General Rules)

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

(Categories in Profit and Loss Statements, Etc.)

Article 88 (1) Profit and loss statements, etc. must be categorized as and presented under the entries stated below; in those cases, when subdivisions for each entry are appropriate, appropriate subdivisions may be made:

- (i) net sales (if it is appropriate to use a name other than net sales; the item so named; the same applies below);
 - (ii) cost of sales;
 - (iii) selling expenses, and general and administrative expenses;
 - (iv) non-operating revenues;
 - (v) non-operating expenses;
 - (vi) extraordinary gains;
 - (vii) extraordinary losses.
- (2) Profits belonging to the extraordinary gains must be subdivided in accordance with the categories of gains from sale of fixed assets, gains from prior period adjustment, gains on negative goodwill and any other entries.
- (3) Losses belonging to extraordinary losses must be subdivided into losses from sale of fixed assets, impairment losses, losses due to disaster, losses from prior period adjustment, and any other entries.
- (4) Notwithstanding the provisions of the preceding two paragraphs, among each gain and loss stated in the preceding two paragraphs, and for the amounts that are not important, those gains and losses may not be subdivided.
- (5) If a consolidated company is undertaking two or more different types of business, the revenues and expenses on its consolidated profit and loss statement stated in items (i) through (iii) of paragraph (1) may be categorized according to its type of business.
- (6) Consolidated profit and loss statements in the cases stated in each of the following items may indicate the amounts after the amounts as provided in each relevant item have been offset:
- (i) when amortization of goodwill included in the calculations in the section on assets and where amortization of goodwill included in the calculations in the section on liabilities in the consolidated balance sheet arise (excluding when the amortization is important): the amortization of goodwill included in the calculations in the section on assets and the amortization of goodwill included in the calculation in the section on liabilities in the consolidated balance sheet;
 - (ii) when investment profits and investment losses arise through the equity method: investment profits and investment losses.
- (7) Each entry of the profit and loss statements, etc. must have an appropriate title given to it that indicates the revenue or expense, or profit or loss, concerning the entry.

(Amount of Gross Profit and Loss)

Article 89 (1) The amount obtained by subtracting the cost of sales from net sales (referred to below as the "amount of gross profit and loss") must be presented as the amount of gross profit.

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

(Amount of Operating Profit and Loss)

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

(Amount of Ordinary Profit and Loss)

- Article 91 (1) The amount obtained by subtracting the non-operating expenses from the amount obtained by adding the non-operating revenues to the amount of operating profit and loss (referred to below as the "amount of ordinary profit and loss") must be presented as the amount of ordinary profit.
- (2) Notwithstanding the provisions of the preceding paragraph, when the amount of ordinary profit and loss is less than zero, the amount obtained by subtracting the amount of ordinary profit and loss from zero must be presented as the amount of ordinary loss.

(Amount of Net Profit and Loss Before Taxation)

- Article 92 (1) The amount obtained by subtracting any extraordinary losses from the amount obtained by adding any extraordinary gains to the amount of ordinary profit and loss (referred to below as the "amount of net profit and loss before taxation") must be presented as the amount of net profit before taxation (in a consolidated profit and loss statement; the amount of net profit before income tax adjustment).
- (2) Notwithstanding the provisions of the preceding paragraph, if the amount of net profit and loss before taxation is less than zero, the amount obtained by subtracting the amount of net profit and loss before taxation from zero must be presented as the amount of net loss before taxation (in a consolidated profit and loss statement; the amount of net loss before income tax adjustment).
- (3) Notwithstanding the provisions of the preceding two paragraphs, for the presentation of the amount of net profit and loss before taxation in a profit and loss statement in provisional financial statements, an appropriate title may be given.

(Taxes)

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

- (i) corporation tax, etc. for the relevant business year (in consolidated profit and loss statements, the consolidated fiscal year);
 - (ii) the amount of adjusted corporation tax, etc. adjustment (meaning adjustments for the corporation tax, etc. stated in the preceding item, recorded through the application of tax effect accounting).
- (2) If there are amounts of taxes paid or taxes refunded due to reassessment or determination of corporation tax, etc., entries with titles which present their contents are to be presented after the entry stated in item (i) of the preceding paragraph; provided, however, that if those amounts are of little importance, they may be included in the amount presented in the entry stated in that item.

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

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

- (i) the amount of net profit and loss before taxation;
 - (ii) in the cases prescribed in paragraph (2) of the preceding Article (excluding the cases stated in the proviso to that paragraph), when there are amounts of taxes refunded; those amounts of taxes refunded;
 - (iii) the amounts in the entries stated in the items of paragraph (1) of the preceding Article;
 - (iv) in the cases prescribed in paragraph (2) of the preceding Article (excluding the cases prescribed in the proviso to that paragraph), when there are amounts of taxes paid; those amounts of taxes paid.
- (2) Notwithstanding the provisions of the preceding paragraph, if the amount of net profit or loss for the current period is less than zero, the amount obtained by subtracting the amount of net profit and loss for the current period from zero must be presented as the amount of net loss for the current period.
- (3) In consolidated profit and loss statements, the amounts in the entries stated below must be presented after the amount of net profit for the current period or amount of net loss for the current period, in entries with titles presenting their contents:

- (i) if there are amounts presented as net profit for the current period; that which is attributable to non-controlling interests among those amounts;
 - (ii) if there are amounts presented as net loss for the current period; that which is attributable to non-controlling interests among those amounts.
- (4) In consolidated profit and loss statements, the amount obtained by adjusting the net profit or net loss for the current period by adding or subtracting the amount within the amount of net profit or net loss for the current period attributable to non-controlling interests must be presented as the amount of net profit or net loss for the current period attributable, to owners of the parent.
- (5) Notwithstanding the provisions of paragraphs (1) and (2), for the presentation of the amount of net profit or loss for the current period in a profit and loss statement in provisional financial statements, an appropriate title may be given.

Article 95 Deleted.

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

- Article 96 (1) Statements of changes in shareholders' equity, etc. (meaning statements of changes in shareholders' equity, etc., consolidated statements of changes in shareholders' equity, etc., and statements of changes in members' equity, etc. of membership companies; the same applies below in this Part), are to be governed by the provisions of this Article.
- (2) Statements of changes in shareholders' equity, etc. must be classified into and presented under entries as provided in the following items, in accordance with the categories of statements of changes in shareholders' equity, etc. stated in those items:
- (i) statements of changes in shareholders' equity, etc.: the entries stated below:
 - (a) shareholders' equity;
 - (b) valuation and translation differences;
 - (c) share award rights; and
 - (d) share options.
 - (ii) consolidated statements of changes in shareholders' equity, etc.: the entries stated below:
 - (a) shareholders' equity;
 - (b) any of the entries stated below:
 - 1. valuation and translation differences;
 - 2. other comprehensive accumulated income;
 - (c) share award rights;
 - (d) share options; and

- (e) non-controlling interests.
- (iii) statements of changes in members' equity: the entries stated below:
 - (a) members' equity;
 - (b) valuation and translation differences.
- (3) The entries stated in each of the following items must be categorized into the entries as provided in those items:
 - (i) shareholders' equity in statements of changes in shareholders' equity, etc.: the entries stated below:
 - (a) stated capital;
 - (b) deposits for subscriptions to shares;
 - (c) capital surplus;
 - (d) retained earnings;
 - (e) treasury shares;
 - (f) deposits for subscriptions to treasury shares;
 - (ii) shareholders' equity in consolidated statements of changes in shareholders' equity, etc.: the entries stated below:
 - (a) stated capital;
 - (b) deposits for subscriptions to shares;
 - (c) capital surplus;
 - (d) retained earnings;
 - (e) treasury shares;
 - (f) deposits for subscriptions to treasury shares;
 - (iii) members' equity in statements of changes in members' equity, etc.: the entries stated below:
 - (a) stated capital;
 - (b) capital surplus;
 - (c) retained earnings.
- (4) The entries for statements of changes in shareholders' equity, etc. stated in each of the following entries must be classified into entries as provided in each relevant item; in such cases, the entries stated in item (i), (b), and item (ii), (b), may be subdivided into entries with appropriate titles:
 - (i) capital surplus: the entries stated below:
 - (a) capital reserves;
 - (b) other capital surplus;
 - (ii) retained earnings: the entries stated below:
 - (a) retained earnings reserves;
 - (b) other retained earnings.
- (5) The entries concerning valuation and translation differences or other comprehensive accumulated income may be subdivided into the entries stated below, or into other entries with appropriate titles:
 - (i) other securities valuation difference;

- (ii) deferred gains or losses on hedges;
 - (iii) land revaluation difference;
 - (iv) exchange conversion adjustment accounts;
 - (v) remeasurements of defined benefit plans.
- (6) The entries concerning share options may be categorized as deductions in entries concerning a stock company's own share options.
- (7) The entries concerning stated capital, capital surplus, retained earnings and treasury shares must each disclose what is stated below; in such cases, what is stated in item (ii) must disclose the changes in the amount for the current period and the reason for the change for each reason for the change:
- (i) balance at the beginning of the current period (in the case of performing retrospective application, preparing corrected statements, or finalization of provisional accounting for any business combination implemented in the business year before the relevant business year; the balance at the beginning of the current period and the amount of influence to it; the same applies in the following paragraph);
 - (ii) changes in the amount for the current period;
 - (iii) balance at the end of the current period.
- (8) The entries concerning valuation and translation differences or other comprehensive accumulated income, share award rights, share options and non-controlling interests must each disclose the following matters. In those cases, concerning what is stated in item (ii), clarifying the main amounts by giving the reason for the change is not precluded:
- (i) balance at the beginning of the current period;
 - (ii) change amount for the current period;
 - (iii) balance at the end of the current period.
- (9) In the consolidated statements of changes in shareholders' equity, etc., matters to be included in the calculation of the matters stated in each of the following items are as provided in there:
- (i) treasury shares referred to in paragraph (3), item (ii), (e): the sum of the amounts stated below:
 - (a) the book value of shares in the relevant stock company held by the relevant stock company;
 - (b) among the book values of shares in the relevant stock company held by consolidated subsidiary companies, as well as unconsolidated subsidiary companies and affiliated companies applying a means of adjusting equity, an amount corresponding to the equity interests of those companies held by the relevant stock company;
 - (ii) the exchange conversion adjustment accounts referred to in paragraph (5), item (iv): conversion differences arising due to a difference between the exchange rate used in conversions of assets and liabilities of subsidiary

- companies or affiliated companies in foreign countries, and the exchange rate used in conversions of net assets;
- (iii) the remeasurements of defined benefit plans referred to in paragraph (5), item (v): the sum of the amounts of the entries stated below:
- (a) unrecognized actuarial differences;
 - (b) unrecognized past service cost;
 - (c) other entries of which amounts are found appropriate to be recorded in the remeasurements of defined benefit plans.

Chapter V Tables of Explanatory Notes

(General Rules)

Article 97 Tables of explanatory notes (meaning tables of explanatory notes on unconsolidated financial statements and tables of explanatory notes on consolidated financial statements; the same applies below in this Part) are to be governed by this Chapter.

(Categories in the Tables of Explanatory Notes)

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

- (i) explanatory notes on the going concern assumption;
- (ii) explanatory notes on important matters concerning accounting policies (for tables of explanatory notes on consolidated financial statements, important matters that are to become the basis for preparation of consolidated financial statements and changes in the scope of consolidation or the scope of application of the means of adjusting equity);
- (iii) explanatory notes on changes in the accounting policies;
- (iv) explanatory notes on changes in the method of presentation;
- (iv)-2 explanatory notes on accounting estimates;
- (v) explanatory notes on changing accounting estimates;
- (vi) explanatory notes on preparing corrected statements;
- (vii) explanatory notes on balance sheets, etc.;
- (viii) explanatory notes on profit and loss statements;
- (ix) explanatory notes on statements of changes in shareholders' equity, etc.
(for tables of explanatory notes on consolidated financial statements, consolidated statements of changes in shareholders' equity, etc.);
- (x) explanatory notes on tax effect accounting;
- (xi) explanatory notes on fixed assets exercised through lease;
- (xii) explanatory notes on financial instruments;
- (xiii) explanatory notes on leased real property;
- (xiv) explanatory notes on means of adjusting equity profit and loss;

- (xv) explanatory notes on transactions with affiliated parties;
 - (xvi) explanatory notes on per share information;
 - (xvii) explanatory notes on important subsequent events;
 - (xviii) explanatory notes on companies to which consolidated dividend regulations apply;
 - (xviii)-2 explanatory notes on revenue recognition
 - (xix) other explanatory notes.
- (2) For the tables of explanatory notes stated in the following items, there is no requirement to indicate the entries as provided in those items:
- (i) tables of explanatory notes on unconsolidated financial statements in stock companies (excluding public companies) other than a company with financial auditor: the entries stated in item (i), item (iv)-2, item (v), item (vii), item (viii) and items (x) through (xviii) of the preceding paragraph;
 - (ii) tables of explanatory notes on unconsolidated financial statements in public companies other than a company with financial auditor: the entries stated in item (i), item (iv)-2, item (v), item (xiv) and item (xviii) of the preceding paragraph;
 - (iii) tables of explanatory notes on unconsolidated financial statements in stock companies that are a company with financial auditor other than those prescribed in Article 444, paragraph (3) of the Act: the entry stated in item (xiv) of the preceding paragraph;
 - (iv) tables of explanatory notes on consolidated financial statements: the entries stated in item (viii), item (x), item (xi), item (xiv), item (xv) and item (xviii) of the preceding paragraph;
 - (v) tables of explanatory notes on unconsolidated financial statements in membership companies: the entries stated in item (i), item (iv)-2, item (v) and items (vii) through (xviii) of the preceding paragraph.

(Method to State Notes)

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

(Explanatory Notes on the Going Concern Assumption)

Article 100 Explanatory notes on the going concern assumption, if events occur or a situation exists on the last day of the business year which causes serious doubts to arise over the assumption that the relevant stock company will continue its business operations in the future (referred to below as a "going concern assumption" in this Article), and when it is found that, even if countermeasures to resolve or ameliorate the events or situation have been undertaken, there remains serious uncertainty over the going concern

assumption (excluding the when it is no longer found that the serious uncertainty will exist after the last day of that business year), comprise of the following matters:

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

(Explanatory Notes on Important Matters Concerning Accounting Policies)

Article 101 (1) Explanatory notes on important matters concerning accounting policies comprise of the matters stated below related to accounting policies (excluding those which are of little importance):

- (i) the valuation criteria and method of valuation for assets;
 - (ii) the depreciation methods for fixed assets;
 - (iii) the recording criteria for allowances;
 - (iv) the recording criteria for revenue and expenses;
 - (v) other important matters forming the basis for preparation of financial statements.
- (2) If a company recognizes revenue generated from the contract in accordance with the status of performance of obligations based on the contract with the customer, the matters specified in item (iv) of the preceding paragraph include the following matters:
- (i) the particulars of major obligations under the customer contract in relation to the company's main business activities;
 - (ii) the regular timing when revenue relating to the obligations as provided in the preceding item is recognized; and
 - (iii) in addition to what is provided in the preceding two items, the matters which the company considers to be included in the important matters pertaining to accounting policies.

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

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

- (i) the matters stated below related to the scope of the consolidation:

- (a) the number of consolidated subsidiary companies and the names of major consolidated subsidiary companies;
- (b) if there are unconsolidated subsidiary companies, the matters stated below:
 - 1. the names of major unconsolidated subsidiary companies;
 - 2. the reason unconsolidated subsidiary companies were excluded from the scope of the consolidation;
- (c) if a company, etc. in which relevant stock company owns a majority of the voting rights on its own account did not become a subsidiary company; the name of the company, etc. and the reason it did not become a subsidiary company;
- (d) if matters related to the property and profit and loss of a subsidiary company excluded from the scope of the consolidation pursuant to the provisions of the proviso to Article 63, paragraph (1) are found to have an important effect on the valuation of the status of relevant corporate group's property and profits and losses; their nature;
- (e) if there is a special purpose company subject to disclosure (meaning the special purpose company prescribed in Article 4 of the Regulations for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006) (limited to those which are presumed not to be a subsidiary company of a company transferring assets to the special purpose company pursuant to the provisions of that Article); the same applies below in this item and in Article 111); the matters stated below and any other important matters:
 - 1. an outline of the special purpose company subject to disclosure;
 - 2. an outline of any transactions with the special purpose company subject to disclosure, and the transacted amounts;
- (ii) the matters stated below, related to the application of the means of adjusting equity:
 - (a) the number of unconsolidated subsidiary companies or affiliated companies applying the means of adjusting equity, and the names of major companies, etc., among them;
 - (b) if there are unconsolidated subsidiary companies or affiliated companies not applying the means of adjusting equity; the matters stated below:
 - 1. the names of major companies, etc. among those unconsolidated subsidiary companies or affiliated companies;
 - 2. the reason that the means of adjusting equity is not applied to the unconsolidated subsidiary companies or affiliated companies;
 - (c) if a company, etc. in which the relevant stock company owns between 20 percent and 50 percent of the voting rights on its own account did not become an affiliated company; the name of the company, etc., and the reason that it did not become an affiliated company;

- (d) if there are matters for which special indication is found to be necessary with regard to procedures for the application of the means of adjusting equity, its nature;
- (iii) the matters stated below related to accounting policies:
 - (a) valuation criteria and method of valuation for important assets;
 - (b) depreciation methods for important depreciable assets;
 - (c) recording criteria for important allowances;
 - (d) other important matters forming the basis for preparation of consolidated financial statements.
- (2) Explanatory notes on changes in the scope of consolidation or the scope of application of the means of adjusting equity, if any change has been made in the scope of consolidation, or the scope of application of the means of adjusting equity (excluding when the change is of little importance) comprise that fact and the reason for the change

(Explanatory Notes on Changes in Accounting Policies)

- Article 102-2 (1) Explanatory notes on changes in accounting policies, if accounting policies that are generally accepted as fair and appropriate have been changed to other accounting policies that are generally accepted as fair and appropriate; comprise the following matters (excluding those which are of little importance); provided, however, that for stock companies other than a company with financial auditor and for membership companies, the matters stated in item (iv), (b) and (c) may be omitted:
- (i) the contents of the changes in the accounting policies;
 - (ii) the reason for the changes in the accounting policies;
 - (iii) in the case of performing retrospective application; the amount of influence on the amount of net assets at the beginning of the relevant business year;
 - (iv) in the case of not performing retrospective application for all or part of business years before the relevant business year, the following matters (excluding the matter stated in (b) when it is difficult to distinguish the changes in the accounting policies from changing accounting estimates):
 - (a) the amount of influence on the major entries of the financial statements or the consolidated financial statements;
 - (b) the reason for not performing retrospective application for all or part of the business years before the relevant business year, and the method of application, and the time of starting the application of the changes in the accounting policies;
 - (c) if the changes in the accounting policies are likely to exert an influence on property or profit and loss on or after the business year following the relevant business year, and it is appropriate to note matters related to the influence; those matters.

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

(Explanatory Notes on Changes in the Method of Presentation)

- Article 102-3 (1) Explanatory notes on changes in the method of presentation, if generally accepted as fair and appropriate, has been changed to another method of presentation that is generally accepted as fair and appropriate, comprise the following matters (excluding those which are of little importance):
- (i) the content of changes to the method of presentation;
 - (ii) the reason for changes to the method of presentation.
- (2) If the matter to be noted in the tables of explanatory notes on unconsolidated financial statements (limited to the matter stated in item (ii) of the preceding paragraph) is the same as the matter to be noted in the tables of explanatory notes on consolidated financial statements, and that fact is noted in the tables of explanatory notes on unconsolidated financial statements, those matters are not required to be noted in the tables of explanatory notes on unconsolidated financial statements.

(Explanatory Notes on Accounting Estimates)

- Article 102-3-2 (1) Explanatory notes on accounting estimates are as follows:

- (i) entries whose amounts are reported in the financial statements or consolidated financial statements for the relevant business year based on accounting estimates, which may have a material impact on the financial statements or consolidated financial statements for the subsequent business year;
 - (ii) amounts reported in the items specified in the preceding entries contained in financial statements or consolidated financial statements for the relevant business year; and
 - (iii) in addition to what is provided in the preceding item, information which may assist with understanding of the particulars of accounting estimates for the entries specified in item (i).
- (2) If matters to be noted in the tables of explanatory notes on unconsolidated financial statements (limited to the matters stated in item (iii) of the preceding paragraph) are the same as the matters to be noted in the tables of explanatory notes on consolidated financial statements, and that fact is noted in the tables of explanatory notes on unconsolidated financial statements, those matters are

not required to be noted in the tables of explanatory notes on unconsolidated financial statements.

(Explanatory Notes on Changing Accounting Estimates)

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

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

(Explanatory Notes on Preparing Corrected Statements)

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

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

(Explanatory Notes on Balance Sheets, Etc.)

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

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

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

(Explanatory Notes on Profit and Loss Statements)

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

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

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

- (i) the number of issued shares on the last day of the relevant business year (for companies with multiple-class shares, the number of issued shares in each class);
- (ii) the number of treasury shares on the last day of the relevant business year (for companies with multiple-class shares, the number of treasury shares in each class);
- (iii) the matters stated below, and any other matters related to distribution of dividends from surplus occurring in the relevant business year (including: among distributions of dividends from surplus occurring after the last day of

the relevant business year, those for which the record date prescribed in Article 124, paragraph (1) of the Act, for the purposes of determining persons receiving distribution of dividends from surplus that came in the relevant business year):

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

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

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

- (i) the total amount of issued shares of the relevant stock company on the last day of the relevant consolidated fiscal year (for companies with multiple-class shares; the total amount of issued shares in each class);
- (ii) the matters stated below, and any other matters related to distribution of dividends from surplus occurring in the relevant consolidated fiscal year (including, among distributions of dividends from surplus occurring after the last day of the relevant consolidated fiscal year, those for which the record date prescribed in Article 124, paragraph (1) of the Act, for the purposes of determining persons receiving distribution of dividends from surplus that came in the relevant consolidated fiscal year):
 - (a) if the dividend property is money; the total amount of the money;
 - (b) the total amount of the book value of the relevant property, if the dividend property is other than money (if the market value on the day of distribution of dividends from surplus has been entered; the book value after entering that market value);
- (iii) the number of shares of the stock company relating to the share award rights as of the last day of the relevant consolidated accounting year (for

companies with multiple-class shares, the classes and the number of issued shares in each class);

- (iv) the number of shares in the relevant stock company (for companies with multiple-class shares; the class and the number in each class) that are intended to be share options (excluding those for which the first day of the period referred to in Article 236, paragraph (1), item (iv) of the Act has not arrived) issued by the relevant stock company on the last day of the relevant consolidated fiscal year.

(Explanatory Notes on Tax Effect Accounting)

Article 107 Explanatory notes on tax effect accounting refer to matters arising from the major causes stated below (excluding those which are not important):

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

(Explanatory Notes on Fixed Assets Exercised Through a Lease)

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

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

(Explanatory Notes on Financial Instruments)

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

- (i) the matters related to the status of financial instruments;

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

(Explanatory Notes on Leased Real Property)

Article 110 (1) Explanatory notes on leased real property comprise the following (excluding those which are of little importance):

- (i) the matters related to the status of leased real property;
- (ii) the matters related to the market value of leased real property.
- (2) Stock companies preparing explanatory notes on consolidated financial statements are not required to note the matters referred to in the preceding paragraph in the tables of explanatory notes on unconsolidated financial statements.

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

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

- (i) when there are affiliated companies: amounts of investments in affiliated companies as well as the amounts of investment when the means of adjusting equity has been applied with respect to the investments, and the amounts of investment profits and investment losses;
- (ii) when there are special purpose companies subject to disclosure: descriptions of special purpose companies subject to disclosure; descriptions of transactions with special purpose companies subject to disclosure and the transacted amounts; and any other important matters.
- (2) Stock companies preparing consolidated financial statements are not required to note the matters referred to in the preceding paragraph in the tables of explanatory notes on unconsolidated financial statements.

(Explanatory Notes on Transactions with Affiliated Parties)

Article 112 (1) Explanatory notes on transactions with affiliated parties comprise the important matters stated below if there are transactions between a stock company and affiliated parties (including those which are transactions between the stock company and a third party, and which cause a conflict of

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

means the persons stated below:

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

- (x) corporate pension for employees (limited to cases of important transactions with the relevant stock company (excluding contributions of premiums)).

(Explanatory Notes on Per Share Information)

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

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

(Explanatory Notes on Important Subsequent Events)

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

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

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

Article 115 Explanatory notes on a company to which consolidated dividend

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

(Explanatory Notes on Revenue Recognition)

Article 115-2 (1) When a company recognizes revenue generated from the contract in accordance with the status of performance of obligations based on the contract with the customer, explanatory notes on revenue recognition comprise the following matters (excluding those which are of little importance); provided, however, that for stock companies other than stock companies as provided in Article 444, paragraph (3) of the Act, the matters listed in item (i) and item (iii) may be omitted:

- (i) the amount of revenue recognized in the relevant business year for each category, as categorized based on the natures, amounts and timing relating to revenue and cash flow as well as major factors affecting their uncertainty, and other matters;
 - (ii) information to serve the basis for understanding revenue; and
 - (iii) information for understanding the amount of revenue for the relevant business year and the subsequent business year.
- (2) If the matters specified in the preceding paragraph are the same as the matters to be noted pursuant to Article 101, the matters under that paragraph need not be noted.
- (3) A stock company that prepares consolidated financial statements need not include explanatory notes referred to in paragraph (1) (excluding item (ii)) in the tables of explanatory notes on unconsolidated financial statements,
- (4) When matters to be noted in the tables of explanatory notes on unconsolidated financial statements (limited to the matters stated in paragraph (1), item (ii)) are the same as the matters to be noted in the tables of explanatory notes on consolidated financial statements, and that fact is noted in the tables of explanatory notes on unconsolidated financial statements, those matters are not required to be noted in the tables of explanatory notes on unconsolidated financial statements.

(Other Explanatory Notes)

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

Chapter VI Attached Detailed Statements

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

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

Chapter VII Miscellaneous Provisions

(Special Provisions For Accounting Documents of a Company Undertaking Appendix-Listed Businesses)

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

below in this Article), the applicable laws and regulations or the Rules applied in relation to business operations from among those categories of appendix-listed businesses that comprise the major part of that company's business operations (referred to below as the "main business" in this Article) apply; provided, however, that for matters related to appendix-listed businesses that is not the main business, the applicable laws and regulations or the Rules applied in relation to the appendix-listed businesses that is not the main business may be applied.

- (3) If the main business of a company undertaking appendix-listed businesses and any other business operations are not appendix-listed businesses, for terminology, forms and methods of preparation of accounting documents that are to be prepared by that company, the provisions of paragraph (1) need not be applied; provided, however, that for matters related to the appendix-listed businesses, the applicable laws and regulations or the Rules applied in relation to the appendix-listed businesses may be applied.
- (4) For accounting documents that are to be prepared by a company to which the provisions of the preceding three paragraphs are being applied (limited to those to which applicable laws and regulations or the Rules applied in relation to appendix-listed businesses with regard to all or part of the terminology, forms and methods of preparation of accounting documents that are to be prepared by that company are applied; referred to below as a "company undertaking appendix-listed business"), if there are matters that are not required to be presented pursuant to the provisions of this Ministerial Order, then notwithstanding the provisions of applicable laws and regulations or the Rules applied related to those matters, the presentation of those matters may be omitted, or those matters may be presented through an appropriate method.

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

- Article 119 (1) For reserves or allowances that are to be recorded under the title of reserves or allowances pursuant to the provisions of laws and regulations other than the Act, those for which the recording in the section on assets or the section on liabilities is inappropriate (referred to below as "reserves, etc. " in this paragraph) must be presented in a separate category after the fixed liabilities. In those cases, the reserves, etc. must be presented in entries with titles which present their intended purpose of the reserves, etc.
- (2) If there are reserves or allowances that are to be recorded under the titles of reserves or allowances pursuant to the provisions of laws and regulations other than the Act, the matters stated below (if the categorization stated in item (ii) would be difficult; the matters stated in item (i)) must be presented in the tables of explanatory notes:

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

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

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

(2) The fact that the consolidated financial statements were prepared in compliance with designated international accounting standards must be stated in the notes to consolidated financial statements prepared pursuant to the provisions of the preceding paragraph.

(3) Notwithstanding the provisions of the preceding paragraph, the fact that the consolidated financial statements were prepared pursuant to the provisions of paragraph (1) and the fact that there are matters omitted pursuant to the provisions of the second sentence of that paragraph must be stated in the notes to consolidated financial statements prepared pursuant to the provisions of paragraph (1) that have matters omitted pursuant to the provisions of the second sentence of that paragraph.

(Special Provisions on Japan's Modified International Standards)

Article 120-2 (1) Consolidated financial statements that are to be prepared by a stock company concerning which the terminology, forms, and methods of preparation are considered to be in compliance with Japan's Modified International Standards pursuant to the provisions of Article 94 of Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (meaning the Japan's Modified International Standards prescribed in that Article; the same applies below in this Article) may be prepared in compliance with Japan's Modified International Standards.

(2) The fact that the consolidated financial statements were prepared in compliance with Japan's Modified International Standards must be stated in

the notes to consolidated financial statements prepared pursuant to the provisions of the preceding paragraph.

- (3) The provisions of the second sentence of paragraph (1), and paragraph (3) of the preceding Article, apply mutatis mutandis to the cases referred to in paragraph (1).

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

Article 120-3 (1) Consolidated financial statements that are to be prepared by a stock company concerning which terminology, forms, and methods of preparation considered to be in accordance with the terminology, forms, and methods of preparation required to be used in relation to issuance, etc. of American depositary receipts pursuant to the provisions of Article 95 of the Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements or paragraph (3) of the Supplementary Provisions of Cabinet Office Order Partially Amending the Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Cabinet Office Order No. 11 of 2002) can be considered to be in accordance with the terminology, forms, and methods of preparation required to be used in relation to issuance, etc. of American depositary receipts.

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

Part IV Audits of Accounting Documents

Chapter I General Rules

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

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

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

(The Contents of Audit Reports by Company Auditor)

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

- (i) the means of auditing by the company auditor and its contents;
- (ii) an opinion on whether all of the important points regarding the status of the property and profits and losses of the relevant stock company are correctly presented in the accounting documents;
- (iii) if the necessary investigations for the purposes of the audit could not be carried out; that fact and its reasons;
- (iv) postscript information;
- (v) the day the audit report was prepared.

(2) The "postscript information" prescribed in item (iv) of the preceding paragraph, among the matters stated below or any other matters, comprises those matters for which there is a necessity to append explanations related to the judgments of the company auditor, or matters that require emphasis among the contents of the accounting documents:

- (i) changes to accounting policies;
- (ii) important contingent events;
- (iii) important subsequent events.

(Content of Audit Reports by Boards of Company Auditors)

Article 123 (1) Boards of company auditors (excluding boards of company auditors in companies with financial auditor; the same applies below in this Chapter) must prepare audit reports by the board of company auditors (referred to below as "board of company auditors audit reports" in this Article) based on audit reports prepared by company auditor (referred to below as "company auditor audit reports" in this Article) pursuant to the provisions of paragraph (1) of the preceding Article.

(2) Board of company auditors audit reports must contain the matters stated below; in such cases, if there is a difference between the contents of the board of company auditors audit reports concerning those matters and the contents of any company auditor audit reports by company auditor concerning those matters, company auditors may attach the contents of the company auditor audit reports by each company auditor concerning those matters as supplementary notes to the board of company auditors audit reports:

- (i) the matters stated in paragraph (1), items (ii) through (iv) of the preceding Article;
 - (ii) the means of auditing by company auditor and board of company auditors and its contents;
 - (iii) the day the board of company auditors audit report was prepared.
- (3) If a board of company auditors is preparing a board of company auditors audit report, the board of company auditors must deliberate on the contents of the board of company auditors audit report (excluding supplementary notes under the provisions of the second sentence of the preceding paragraph) on one or more occasions, through the method of holding a meeting, or through a method whereby opinions can be exchanged in real time through the transmission of information.

(Notification Deadlines for Audit Reports)

Article 124 (1) In accordance with the categories of audit reports stated in the following items (limited to audit reports of boards of company auditors prepared pursuant to the provisions of paragraph (1) of the preceding Article for companies with board of auditors; that applies below in this Article), specified company auditors must give notice of the contents of the relevant audit reports to the specified directors by the day as provided in those items:

- (i) audit reports on financial statements for each business year and its attached detailed statements: whichever of the days stated below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant financial statements were received;
 - (b) the day on which one week has passed from the day on which the attached detailed statements attached to the relevant financial statements were received;
 - (c) if there is a day determined through agreement between the specified directors and specified company auditor; that day;
 - (ii) audit reports on provisional financial statements: whichever of the days stated below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant provisional financial statements were received;
 - (b) if there is a day determined through agreement between the specified director and specified company auditor, that day.
- (2) Accounting documents are deemed to have been audited by a company auditor on the day on which the notice of the contents of the audit report under the provisions of the preceding paragraph has been received by the specified director.
- (3) Notwithstanding the provisions of the preceding paragraph, if the specified

company auditor has not given notice of the contents of an audit report under the provisions of paragraph (1) by the day on which notice was to be made pursuant to the provisions of that paragraph, that day on which notice was to be made is deemed to be that on which the accounting documents were audited by the company auditor.

- (4) The term "specified director" prescribed in paragraph (1) and paragraph (2) means the persons as provided in the following items (if the relevant stock company is a company with accounting advisors, the persons as provided respectively in the following items and accounting advisors), in accordance with the categories of cases stated in those items:
- (i) when persons who are to receive notice under the provisions of paragraph (1) have been determined: the persons determined as the persons who are to receive the notice;
 - (ii) cases other than those stated in the preceding item: directors who performed duties related to the preparation of the accounting documents that were to be audited.
- (5) The "specified company auditor" prescribed in paragraph (1) and paragraph (3) is the persons as provided in the following items, in accordance with the categories of stock company stated in there:
- (i) company with company auditor (including stock companies which have provisions in their articles of incorporation restricting the scope of audits by company auditor to matters related to accounting, and excluding companies with board of company auditors and companies with financial auditor): the persons as provided in the following (a) through (c) in accordance with the categories of cases stated in (a) through (c):
 - (a) when there are two or more company auditors and a decision has been reached on which company auditor is to give notice of the contents of an audit report under the provisions of paragraph (1): the company auditor decided as the company auditor who is to give the notice;
 - (b) when there are two or more company auditors, and no decision has been reached on which company auditor is to give notice of the contents of an audit report under the provisions of paragraph (1): all of the company auditors;
 - (c) cases other than those stated in (a) or (b): a company auditor;
 - (ii) company with a board of company auditors (excluding companies with financial auditor): the persons as provided in the following (a) or (b), in accordance with the categories of cases stated in (a) or (b):
 - (a) when the board of company auditors has decided which company auditor is to give notice of the contents of an audit report under the provisions of paragraph (1): the company auditor decided as the company auditor who is to give the notice;

- (b) cases other than those stated in (a): all of the company auditors.

Chapter III Audits in Companies with Financial Auditors

(Provision of Accounting Documents)

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

(Contents of Financial Audit Reports)

Article 126 (1) When receiving accounting documents, a financial auditor must prepare a financial audit report containing the matters stated below:

- (i) the means of auditing by financial auditor and its contents;
- (ii) if the financial auditor has an opinion on whether all of the important points regarding the status of the property and profits and losses of the relevant stock company are correctly presented in the accounting documents; that opinion (if that opinion is one of the opinions stated respectively in the following (a) through (c); the matters as provided in (a) through (c)):
 - (a) unqualified opinion: the fact that the accounting documents that were the subject of the audit were in accordance with corporate accounting practices that are generally accepted as fair and appropriate, and all of the important points regarding the status of the property and profits and losses for the period concerning the accounting documents were correctly presented;
 - (b) a qualified opinion with exemptions appended: the fact that the accounting documents that were the subject of the audit were, with the exception of the exempted matters, in accordance with corporate accounting practices that are generally accepted as fair and appropriate, and all of the important points regarding the status of the property and profits and losses for the period concerning the accounting documents were correctly presented; the exempted matters, and the reasons for the qualified opinion with exemptions appended;
 - (c) adverse opinion: the fact that the accounting documents that were the subject of the audit were not appropriate, and its reasons;
- (iii) if there are none of the opinions stated in the preceding item; that fact and its reasons;

- (iv) the matters concerning explanatory notes on the going concern assumption;
 - (v) if the financial auditor has an opinion referred to in item (ii); whether there is any matter to be reported with respect to material differences between the content of a business report and its annexed detailed statements, and the contents of accounting documents or knowledge obtained by the financial auditor in the course of audit, and if there is any such matter; its content;
 - (vi) postscript information;
 - (vii) the day on which the financial audit report was prepared.
- (2) Among the matters stated below or any other matters, the "postscript information" prescribed in item (iv) of the preceding paragraph comprises those matters for which there is a necessity to append explanations related to the judgments of the financial auditor, or matters that require emphasis among the contents of the accounting documents:
- (i) changes to accounting policies;
 - (ii) important contingent events;
 - (iii) important subsequent events.

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

Article 127 When receiving accounting documents and financial audit reports (in the cases prescribed in Article 130, paragraph (3); accounting documents), company auditors in companies with financial auditor must prepare an audit report containing the matters stated below (for audit reports by company auditors in a company with a board of company auditors; the matters stated in items (i) through (v)):

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

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

Article 128 (1) Boards of company auditors in companies with financial auditor

must prepare audit reports by boards of company auditors (referred to below as "board of company auditors audit reports" in this Article) based on audit reports prepared by company auditors (referred to below as "company auditor audit reports" in this Article) pursuant to the provisions of the preceding Article.

- (2) Board of company auditors audit reports must contain the matters stated below; in those cases, if there are differences between the contents of the board of company auditors audit report concerning those matters and the contents of company auditor audit reports by company auditors concerning those matters, the contents of the company auditor audit reports by each company auditor concerning those matters may be attached as supplementary notes to the board of company auditors audit reports:
- (i) the means of auditing by company auditors and board of company auditors and its contents;
 - (ii) the matters stated in items (ii) through (v) of the preceding Article;
 - (iii) the day on which the board of company auditors audit report was prepared.
- (3) If a board of company auditors in a company with financial auditor is preparing a board of company auditors audit report, the board of company auditors must deliberate on the contents of the board of company auditors audit report (excluding supplementary notes under the provisions of the second sentence of the preceding paragraph) on one or more occasions, through the method of holding a meeting or through a method in which opinions can be exchanged in real time through the transmission of information.

(Contents of Audit Reports by Audit and Supervisory Committees)

- Article 128-2 (1) when receiving accounting documents and financial audit reports (in the cases prescribed in Article 130, paragraph (3); accounting documents), audit and supervisory committees must prepare an audit report containing the matters stated below; in those cases, if the contents of the audit report concerning those matters differ from the opinion of the audit and supervisory committee member, an audit and supervisory committee member may attach the audit and supervisory committee member's own opinion as a supplementary note to the audit report:
- (i) the means of auditing by the audit and supervisory committee and its contents;
 - (ii) the matters stated in Article 127, item (ii) through item (v);
 - (iii) the day on which the audit report was prepared.
- (2) The contents of the audit report prescribed in the preceding paragraph (excluding supplementary notes under the second sentence of that paragraph) must be determined by a resolution of the audit and supervisory committee.

(Contents of Audit Reports by Audit Committees)

- Article 129 (1) when receiving accounting documents and financial audit reports (in the cases prescribed in paragraph (3) of the following Article; accounting documents), audit committees must prepare an audit report containing the matters stated below; in these cases, if the contents of the audit report concerning those matters differ from the opinion of the audit committee member, an audit committee member may attach the audit committee member's own opinion as a supplementary note to the audit report:
- (i) the means of auditing by the audit committee and its contents;
 - (ii) the matters stated in Article 127, items (ii) through (v);
 - (iii) the day on which the audit report was prepared.
- (2) The contents of the audit report prescribed in the preceding paragraph (excluding supplementary notes under the second sentence of that paragraph) must be determined by a resolution of the audit committee.

(Notification Deadlines for Financial Audit Reports)

- Article 130 (1) In accordance with the categories of financial audit reports stated in the following items, a financial auditor must give notice of the contents of the relevant financial audit reports to the specified company auditor and the specified directors by the day as provided in those items:
- (i) financial audit reports on financial statements for each business year and its attached detailed statements: whichever of the days stated below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant financial statements were received;
 - (b) the day on which one week has passed from the day on which the attached detailed statements attached to the relevant financial statements were received;
 - (c) if there is a day determined through agreement between the specified directors, specified company auditor, and financial auditor; that day.
 - (ii) financial audit reports on provisional financial statements: whichever of the days stated below is the latest:
 - (a) the day on which four weeks have passed from the day on which all of the relevant provisional financial statements were received;
 - (b) if there is a day determined through agreement between the specified directors, specified company auditors, and financial auditor; that day;
 - (iii) financial audit reports on consolidated financial statements: the day on which four weeks have passed from the day on which all of the relevant consolidated financial statements were received (if there is a day determined through agreement between the specified directors, specified company auditors, and financial auditor; that day).

- (2) Accounting documents are deemed to have been audited by a financial auditor on the day on which the notice of the contents of a financial audit report under the provisions of the preceding paragraph has been received by the specified company auditors and specified directors.
- (3) Notwithstanding the provisions of the preceding paragraph, if the financial auditor has not given notice of the contents of a financial audit report under the provisions of paragraph (1) by the day on which notice was to be made pursuant to the provisions of that paragraph; the day on which notice was to be made is deemed to be that on which the accounting documents were audited by the financial auditor.
- (4) The term "specified directors" prescribed in paragraph (1) and paragraph (2) means the persons as provided in the following items (if the relevant stock company is a company with accounting advisor; the persons as provided respectively in those items and accounting advisor), in accordance with the categories of cases as stated in those items (the same applies in Article 132):
- (i) when a person who is to receive notice under the provisions of paragraph (1) has been determined: the person determined as the person who is to receive that notice;
 - (ii) cases other than those stated in the preceding item: directors and executive officers who performed duties related to the preparation of accounting documents that were to be audited.
- (5) The "specified company auditors" prescribed in paragraph (1) and paragraph (2) are the persons as provided in the following items in accordance with the categories of stock company stated in those items (the same applies below in this Chapter):
- (i) company with company auditor (excluding companies with board of company auditors): the persons as provided in the following (a) through (c), in accordance with the categories of cases stated in (a) through (c):
 - (a) where there are two or more company auditors and it has been decided which company auditor is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the company auditor determined as the company auditor who is to receive notice;
 - (b) when there are two or more company auditors, and it has not been decided which company auditor is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): all of the company auditors;
 - (c) cases other than those stated in (a) or (b): a company auditor;
 - (ii) company with a board of company auditors: the person as provided in the following (a) or (b), in accordance with the categories of cases stated in (a) or (b):
 - (a) when the board of company auditors has decided which company auditor

is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the company auditor decided as the company auditor who is to receive that notice;

(b) cases other than those stated in (a): all of the company auditors;

(iii) company with an audit and supervisory committee: the persons as provided in (a) or (b) below in accordance with the categories of cases stated in there:

(a) when the audit and supervisory committee has decided an audit and supervisory committee member who is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the audit and supervisory committee member decided as the audit and supervisory committee member who is to receive notice;

(b) cases other than those stated in (a): any person from among the audit and supervisory committee members;

(iv) company with a nominating committee or the like: the person as provided in (a) or (b) below, in accordance with the categories of cases stated in (a) or (b):

(a) when the audit committee has decided an audit committee member who is to receive notice of the contents of a financial audit report under the provisions of paragraph (1): the audit committee member decided as the audit committee member who is to receive notice;

(b) cases other than those stated in (a): any person from among the audit committee members.

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

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

(i) the matters related to independence and any other matters related to the observance of laws and regulations and rules concerning audits;

(ii) the matters related to the policy on the undertaking and continuance of contracts for audits, business equivalent to audits and business related to it;

(iii) any other matters related to systems for ensuring that the performance of the duties of financial auditor is being carried out correctly.

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

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

- (i) audit reports on accounting documents that are not consolidated financial statements: whichever of the days stated below is the latest:
 - (a) the day on which one week has passed from the day on which the financial audit report was received (in the cases prescribed in Article 130, paragraph (3), the day which was deemed to be that on which the audit was carried out pursuant to the provisions of that paragraph; the same applies in the following item);
 - (b) if there is a day determined through agreement between the specified directors and specified company auditors; that day;
 - (ii) audit reports on consolidated financial statements: the day on which one week has passed from the day on which the financial audit report was received (if there is a day determined through agreement between the specified directors and specified company auditors; that day).
- (2) Accounting documents are deemed to have been audited by company auditors (for a company with an audit and supervisory committee, the audit and supervisory committee, and for a company with a nominating committee, etc.; the audit committee) on the day on which the notice of the contents of the audit report under the provisions of the preceding paragraph was received by the specified directors and financial auditor.
- (3) Notwithstanding the provisions of the preceding paragraph, if the specified company auditors have not given notice of the contents of an audit report under the provisions of paragraph (1) by the day on which notice was to be made pursuant to the provisions of that paragraph; the day on which notice was to be made is deemed to be the day on which the accounting documents were audited by the company auditors (for a company with an audit and supervisory committee; the audit and supervisory committee, and for a company with a nominating committee, etc.; the audit committee).

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

(Provision of Financial Statements)

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

- (i) stock companies (excluding companies with company auditor (including stock companies which have provisions in their articles of incorporation restricting the scope of audits by company auditor to matters related to accounting; the same applies in the following item) and companies with financial auditor): financial statements;
- (ii) companies with company auditor other than a company with financial auditor: that which is stated below:
 - (a) financial statements;
 - (b) if there is an audit report by company auditor (in companies with a board of company auditors; the board of company auditors) concerning the financial statements; that audit report (if the contents (other than the day of preparation of the audit report) of the audit reports by each company auditor in a stock company (excluding companies with board of company auditors) which has two or more company auditors is the same; one, or two or more audit reports by company auditors);
 - (c) if it has been deemed that an audit has been carried out pursuant to the provisions of Article 124, paragraph (3); a document, or electronic or magnetic record, stating or recording that fact;
- (iii) companies with financial auditor: that which is stated below:
 - (a) financial statements;
 - (b) if there is a financial audit report concerning the financial statements; that financial audit report;
 - (c) if there is no financial auditor (excluding when there is a person who is to temporarily perform the duties of a financial auditor as stated in Article 346, paragraph (4) of the Act); a document, or electronic or magnetic record, stating or recording that fact;
 - (d) if it has been deemed that an audit has been carried out pursuant to the provisions of Article 130, paragraph (3); a document, or electronic or magnetic record, stating or recording that fact;
 - (e) when there is an audit report by a company auditor (for a company with a board of company auditors; the board of company auditors; for a company with an audit and supervisory committee; the audit and supervisory committee, and for a company with a nominating committee, etc.; the audit committee) concerning the financial statements; the audit report (if the contents of the audit reports (other than the day of preparation of the audit

- report) by each company auditor in a stock company (excluding companies with a board of company auditors) which has two or more company auditors is the same; one, or two or more audit reports by company auditors);
- (f) if it has been deemed that an audit has been carried out pursuant to the provisions of paragraph (3) of the preceding Article; a document, or electronic or magnetic record, stating or recording that fact.
- (2) If notices of calling of an annual shareholders meeting (meaning the notice under the provisions of Article 299, paragraph (2) or paragraph (3) of the Act; the same applies below) are dispatched by a method stated respectively in the following items, the provided financial statements must be provided by the method as provided in there:
- (i) provision of documents: the method as provided in the following (a) or (b) in accordance with the categories of cases stated in (a) or (b):
- (a) when the provided financial statements are prepared in the form of a document: the provision of other documents stating the matters stated in the relevant document;
- (b) when the provided financial statements are prepared in the form of electronic or magnetic records: the provision of documents stating the matters recorded in the electronic or magnetic records;
- (ii) provision by electronic or magnetic means: a method as provided in the following (a) or (b) in accordance with the categories of cases stated in there:
- (a) when the provided financial statements are prepared in the form of a document: provision by electronic or magnetic means of the matters stated in that document;
- (b) when the provided financial statements are prepared in the form of electronic or magnetic records: provision by electronic or magnetic means of the matters recorded in the electronic or magnetic records.
- (3) Matters that were to be presented in the balance sheet, profit and loss statement or statements of changes in shareholders' equity, etc. for a business year before the relevant business year (referred to below as "matters in past business year" in this paragraph) may be jointly provided with the provided financial statements. In those cases, when the matters in past business year at the time of their provision with the provided financial statements differ from what was approved or reported at the annual shareholders meeting for a business year before that business year, due to a change of accounting policies or other justifiable reasons, the provision of the matters in past business year after revision is not precluded.
- (4) For the application of the provisions of paragraph (2), if measures are being taken to make information concerning matters that are to be presented in the provided financial statements (limited to those concerning the statements of

changes in shareholders' equity, etc., or the tables of explanatory notes on unconsolidated financial statements) available to the shareholders continually by electronic or magnetic means (among the methods stated in Article 222, paragraph (1), item (i), (b) of the Regulations for Enforcement of the Companies Act, limited to those that work by utilizing an automatic public transmission server (meaning a server with a function that automatically transmits to the public information recorded on a part of its recording media which is for use in automatic public transmission, or information that has been input to the server, and which transmits such information through its connection to a telecommunications line for public use; the same applies below in this Chapter) connected to the internet; the same applies in paragraph (8)), from the time of release of the notices of calling of an annual shareholders meeting to the day on which three months have passed from the day of that annual shareholders meeting; those matters are deemed to have been provided to the shareholders by the methods as provided in the items of that paragraph, in accordance with the categories of cases stated in those items; provided, however, that this only applies if there are provisions in the articles of incorporation on the implementation of the measures referred to in this paragraph.

- (5) In the cases of the preceding paragraph, the directors must notify the shareholders of the letters and symbols, or any other code or its combination that are used to identify on the internet, the part of the server that is being used for the purpose of undertaking the relevant measures from among automatic public transmission servers that are utilized for measures as stated in that paragraph, and that allows the person, to whom information is being provided, to inspect the contents of the information and record the information in a computer file after directly inputting those letters, symbols, or codes into the computer that the person is using.
- (6) If part of the matters presented in the financial statements have been deemed to have been provided to shareholders through the methods as provided in the respective items of paragraph (2) pursuant to the provisions of paragraph (4), when the company auditor, financial auditor, audit and supervisory committee, or audit committee have requested the directors to notify the shareholders that the financial statements actually provided to the shareholders are one part of the financial statements audited at the preparation of an audit report or financial audit report, the directors must notify the shareholders of that fact.
- (7) With respect to matters that are to be the contents of the financial statements, if a situation has arisen that is to be corrected in the interval from the day of release of the notice of calling of an annual shareholders meeting to the day before that annual shareholders meeting, the directors may jointly give notice of the notice of calling and of a method that disseminates to shareholders the

matter after correction.

- (8) The provisions of paragraph (4) do not preclude taking measures to also make information concerning the matters to be presented in the provided financial statements other than those concerning the statements of changes in shareholders' equity, etc. or the tables of explanatory notes on unconsolidated financial statements available for provision to shareholders by electronic or magnetic means.

(Provision of Consolidated Financial Statements)

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

- (i) provision of documents: the method as provided in the following (a) or (b), in accordance with the categories of cases stated in (a) or (b):

(a) when the consolidated financial statements are prepared in the form of a document: the provision of other documents stating the matters stated in the relevant document;

(b) when the consolidated financial statements are prepared in the form of electronic or magnetic records: the provision of documents stating the matters recorded in the electronic or magnetic records;

- (ii) provision by electronic or magnetic means: the method as provided in the following (a) or (b), in accordance with the categories of cases stated in (a) or (b):

(a) when the consolidated financial statements are prepared in the form of a document: provision by electronic or magnetic means of the matters stated in the document;

(b) when the consolidated financial statements are prepared in the form of electronic or magnetic records: provision by electronic or magnetic means of the matters recorded in the electronic or magnetic records.

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

- (3) When there is a provision in the articles of incorporation providing that the measures for electronic provision should be taken, if an accounting audit report

or audit report on the consolidated accounting statements referred to in paragraph (1) was made and if the provision also provides that the content of such report is to be also provided to shareholders, the measures for electronic provision in respect of information on the matters included or recorded in the accounting audit report, or audit report may be taken in lieu of the provision under the preceding two paragraphs.

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

computer file after directly inputting those letters, symbols, or codes into the computer the person is using.

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

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

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

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

- committee concerning the financial audit report stated in item (i) pursuant to the provisions of the second sentence of Article 128, paragraph (2), the second sentence of Article 128-2, paragraph (1), or the second sentence of Article 129, paragraph (1) are not the opinion stated in the preceding item;
- (iv) that it is not deemed that the accounting documents prescribed in the special provisions on approval have been audited pursuant to the provisions of Article 132, paragraph (3);
- (v) that a board of directors has been established.

Part VI Public Notice of Financial Statements

Chapter I Public Notice of Financial Statements

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

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

Chapter II Public Notice of Summaries of Financial Statements

Section 1 General Provisions

Article 137 The summary of a balance sheet and the summary of a profit and loss statement, if public notice of the summary of a balance sheet or the

summary of a profit and loss statement is made pursuant to the provisions of Article 440, paragraph (2) of the Act, are to be governed by this Chapter.

Section 2 Balance Sheet Summaries

(Categories in the Summary of Balance Sheet)

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

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

(Section on Assets)

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

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

(Section on Liabilities)

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

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

a public company must be subdivided into important suitable entries for the purposes of making clear the status of the property of the public company.

- (5) Each entry in the section on liabilities must have an appropriate title given to it, which indicates the liability concerning the entry.

(Section on Net Assets)

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

- (i) shareholders' equity;
- (ii) valuation and translation differences;
- (iii) share award rights; and
- (iv) share options.

- (2) The entries concerning shareholders' equity must be categorized into the entries stated below; in those cases, the entry stated in item (v) is a deduction:

- (i) stated capital;
- (ii) deposits for subscriptions to shares;
- (iii) capital surplus;
- (iv) retained earnings;
- (v) treasury shares;
- (vi) deposits for subscriptions to treasury shares.

- (3) The entries concerning capital surplus must be categorized into the entries stated below:

- (i) capital reserves;
- (ii) other capital surplus.

- (4) The entries concerning retained earnings must be categorized into the entries stated below:

- (i) retained earnings reserves;
- (ii) other retained earnings.

- (5) The entries stated in item (ii) of paragraph (3) and item (ii) of the preceding paragraph can be subdivided into entries with appropriate titles.

- (6) The entries concerning valuation and translation differences must be subdivided into the following entries and any other entries with appropriate titles:

- (i) other securities valuation difference;
- (ii) deferred gains or losses on hedges;
- (iii) land revaluation difference.

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

Article 142 The amount of net profit or loss for the current period must be attached as supplementary notes to the summary of a balance sheet; provided, however, that this does not apply if public notice is given of the summary of a

profit and loss statement pursuant to the provisions of Article 440, paragraph (2) of the Act.

Section 3 Summaries of Profit and Loss Statements

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

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

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

Section 4 Miscellaneous Provisions

(Measurement Units for Presentation of Amounts)

- Article 144 (1) Amounts for matters concerning the summary of a balance sheet or the summary of a profit and loss statement are to be presented in units of 1,000,000 yen or 1,000,000,000 yen.
- (2) Notwithstanding the provisions of the preceding paragraph, if there is the risk that it will become impossible to precisely judge the state of the property or the profit and loss of a stock company, amounts for matters concerning the summary of a balance sheet or the summary of a profit and loss statement must be presented in appropriate units.

(Language of Presentation)

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

(Appendix-Listed Business)

- Article 146 For matters that are to be presented in the summary of a balance sheet or the summary of a profit and loss statement to be given in a public notice by a company undertaking appendix-listed business, if it is necessary

and appropriate for clarifying the status of the property and profits and losses of the company undertaking appendix-listed business, notwithstanding the provisions of the preceding two sections, this can be presented separately in the appropriate sections or entries.

Chapter III Miscellaneous Provisions

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

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

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

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

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

Part VII Matters Related to Figures in Accounting for Stock Companies

Chapter I Amount of Surplus in a Stock Company

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

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

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

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

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

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

- type restructuring from the amount of other retained earnings of the stock company after the relevant absorption-type restructuring;
- (vi) the amount of other capital surplus increased pursuant to the provisions of Article 21 after the last day of the most recent business year;
 - (vii) the amount of other capital surplus changed pursuant to Article 42-2, paragraph (5), item (i), after the last day of the most recent business year; and
 - (viii) the amount of increase, if the amount of treasury shares was increased pursuant to Article 42-2, paragraph (7) after the last day of the most recent business year.
- (2) Notwithstanding the provisions of the preceding paragraph, the sum of the amounts recorded under each account title prescribed by Ministry of Justice Order, as mentioned in Article 446, item (vii) of the Act in a stock company which does not have a most recent business year, is the amount obtained by subtracting the sum of the amounts stated in items (vi) through (xiv) from the sum of the amounts stated in items (i) through (v):
- (i) the book value of treasury shares if the treasury shares are cancelled pursuant to the provisions of Article 178, paragraph (1) of the Act after the day of formation (for that company which has become a stock company pursuant to laws and regulations other than the Act; the day on which the stock company became a stock company; the same applies below in this paragraph);
 - (ii) the amounts stated in Article 446, item (vi) of the Act, concerning the payment of dividends from surplus if the dividends from surplus are paid after the day of formation;
 - (iii) the amount of the relevant reduction if the amount of stated capital or the amount of reserves is increased by reducing the amount of surplus after the day of formation;
 - (iv) the amounts stated in Article 23, item (i), (b) and item (ii), (b) if dividends from surplus are paid after the day of formation;
 - (v) the amount of the relevant reduction, if the amount of surplus is reduced at the time of absorption-type company split or incorporation-type company split by a stock company that is to become a company splitting in the absorption-type split or a company splitting in the incorporation-type split after the day of formation;
 - (vi) the amount of other capital surplus on the day of formation;
 - (vii) the amount of other retained earnings on the day of formation;
 - (viii) the amount obtained by subtracting the book value of the relevant treasury shares from the amount of consideration for the relevant treasury shares if treasury shares are disposed of after the day of formation (excluding when treasury shares are disposed of at the performance of an act

- of acceptance related to absorption-type restructuring);
 - (ix) the amount of the relevant reduction if the amount of stated capital is reduced after the day of formation (excluding the amount stated in Article 447, paragraph (1), item (ii) of the Act);
 - (x) the amount of the relevant reduction if the amount of reserves is reduced after the day of formation (excluding the amount stated in Article 448, paragraph (1), item (ii) of the Act);
 - (xi) the sum of the amounts stated below concerning the relevant absorption-type restructuring if a stock company performs acts of acceptance related to absorption-type restructuring after the day of formation:
 - (a) the amount obtained by subtracting the amount of other capital surplus of the stock company immediately before the relevant absorption-type restructuring from the amount of other capital surplus of the stock company after the relevant absorption-type restructuring;
 - (b) the amount obtained by subtracting the amount of other retained earnings of the stock company immediately before the relevant absorption-type restructuring from the amount of other retained earnings of the stock company after the relevant absorption-type restructuring;
 - (xii) the amount of other capital surplus increased pursuant to the provisions of Article 21 after the day of formation;
 - (xiii) the amount of other capital surplus increased pursuant to the provisions of Article 42-2, paragraph (5), item (i) after the day of formation; and
 - (xiv) the amount of increase if the amount of treasury shares was increased pursuant to Article 42-2, paragraph (7) after the day of formation.
- (3) If a membership company has become a stock company after the last day of the most recent business year, the sum of the amount of other capital surplus and the amount of other retained earnings of the stock company on the day on which it has become a stock company is deemed to be the amount of surplus on the last day of the most recent business year.

Chapter II Reductions in the Amount of Stated Capital

(Amount of Deficit)

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

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

(Matters Related to Financial Statements)

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

- (i) when a company subject to public notice (meaning the stock company stated in Article 449, paragraph (2), item (ii) of the Act; the same applies below in this Article) gives public notice pursuant to the provisions of Article 440, paragraph (1) or paragraph (2) of the Act; of its balance sheet for the most recent business year or a summary of that: what is stated below:
 - (a) when giving public notice in the Official Gazette; the date of the gazette and the page on which the public notice is published;
 - (b) when giving public notice in a daily newspaper that publishes matters on current affairs; the name of the daily newspaper; the date and the page on which the public notice is published;
 - (c) when giving public notice through electronic public notice; the matters stated in Article 911, paragraph (3), item (xxviii), (a) of the Act;
- (ii) when a company subject to public notice takes measures prescribed in Article 440, paragraph (3) of the Act with respect to the balance sheet for the most recent business year: the matters stated in Article 911, paragraph (3), item (xxvi) of the Act;
- (iii) if a company subject to public notice is the stock company prescribed in Article 440 paragraph (4) of the Act; if that stock company submits securities reports concerning the most recent business year pursuant to the provisions of Article 24, paragraph (1) of the Financial Instruments and Exchange Act: that fact;
- (iv) when the provisions of Article 440 of the Act do not apply to a company subject to public notice, pursuant to the provisions of Article 28 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (Act no. 87 of 2005): that fact;
- (v) when the company subject to public notice does not have a most recent business year: that fact;
- (vi) cases other than those stated in the preceding items: the contents of the summary of the balance sheet concerning the most recent business year under the provisions of Chapter II of the preceding Part.

Chapter III Appropriation of Surplus

Article 153 (1) The matters prescribed by Ministry of Justice Order as mentioned in the second sentence of Article 452 of the Act are the matters stated below, concerning the appropriation of surplus prescribed in the first

sentence of that Article (excluding appropriation of surplus, if the amount concerning the entry for surplus is to be increased or reduced without a resolution at the shareholders meeting referred to in the first sentence of that Article):

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

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

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

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

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

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

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

Chapter VI Distributable Amounts

(Amount of Profit in Provisional Financial Statements)

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

(Amount of Loss in Provisional Financial Statements)

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

(Other Amounts to Be Subtracted)

Article 158 The sum of the amounts recorded under each account title prescribed by Ministry of Justice Order prescribed in Article 461, paragraph (2), item (vi) of the Act is to be the amount obtained by subtracting the sum of the amounts stated in item (ix) and (x) from the sum of the amounts stated in items (i) through (viii):

(i) the amounts as provided in (a) through (c) below if the goodwill adjustment amount (meaning the sum of the amount obtained by dividing the amount of goodwill recorded in the section on assets by two, and the amount recorded in the section on deferred assets; the same applies below in this item and item (iv)) on the last day of the most recent business year (if prescribed in Article 461, paragraph (2), item (ii) of the Act; the period of Article 441, paragraph (1), item (ii) of the Act (if there are two or more of those periods, the one in which the last day is the latest day); that applies in this item through item (iii), item (vi), (c), item (viii), (a) and (b), and item (ix)) (if there is no most recent business year (excluding the cases prescribed in Article 461, paragraph (2), item (ii) of the Act), the day of formation; the same applies below in this item through item (iii), item (vi), (c), item (viii), (a) and (b), and item (ix)) falls under the following (a) through (c):

(a) when the relevant goodwill adjustment amount is equal to or less than the amount of stated capital, etc. (meaning the sum of the amount of stated capital and the amount of reserves on the last day of the most recent business year; the same applies below in this item): zero;

(b) when the relevant goodwill adjustment amount is equal to or less than the sum of the amount of stated capital, etc., and the amount of other capital surplus on the last day of the most recent business year (except the case stated in (a)): the amount obtained by subtracting the amount of stated capital, etc. from the relevant goodwill adjustment amount;

(c) when the relevant goodwill adjustment amount exceeds the sum of the amount of stated capital, etc. and the amount of other capital surplus on the last day of the most recent business year: the amounts as provided in the following items in accordance with the categories of cases stated in those items:

1. when the amount obtained by dividing the amount of goodwill on the last day of the most recent business year by two is equal to or less than the sum of the amount of stated capital, etc. and the amount of other capital surplus on the last day of the most recent business year: the amount obtained by subtracting the amount of stated capital, etc. from the relevant goodwill adjustment amount;

2. when the amount obtained by dividing the amount of goodwill on the

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

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

- recent business year (if the amounts recorded in those entries are less than zero; zero);
- (vii) the amount stated in Article 461, paragraph (2), item (ii), (b) of the Act concerning treasury shares disposed of by a stock company at an act of acceptance related to absorption-type restructuring or a specified solicitation after the last day of the most recent business year;
 - (viii) the sum of the amounts stated below:
 - (a) the amount of other capital surplus increased pursuant to the provisions of Article 21 after the last day of the most recent business year;
 - (b) the amount of other capital surplus changed pursuant to the provisions of Article 42-2, paragraph (5), item (i) after the last day of the most recent business year; and
 - (c) the amount of consideration for treasury shares, if a stock company which has no most recent business year disposed of the treasury shares after the day of formation;
 - (ix) the amount obtained by subtracting the sum of the amounts stated below from the book value of acquired shares if a stock company acquires shares in the stock company after the last day of the most recent business year (limited to when shares in the stock company are delivered to the shareholders of those shares in exchange for the acquisition of shares, in cases other than that stated in Article 155, item (xii) of the Act):
 - (a) the book value of property (excluding bonds, etc. (excluding reacquired bonds and its own share options; the same applies in (b))) other than shares in the stock company that is delivered to shareholders of the acquired shares at the acquisition;
 - (b) the book value to be entered for bonds, etc. of the stock company that are delivered to shareholders of the acquired shares at the acquisition;
 - (x) the amount stated in Article 461, paragraph (2), item (iv) of the Act (if there is no most recent business year, item (viii)) concerning treasury shares disposed of by a stock company at an act of acceptance related to absorption-type restructuring or a specified solicitation after the last day of the most recent business year.

(Director, Etc. to Take Responsibility for Payment of Dividends from Surplus)
 Article 159 What is prescribed by Ministry of Justice Order, as mentioned in the part of Article 462, paragraph (1) of the Act not contained in the stated items, is the person as provided in the following items in accordance with the categories of acts stated in there:

- (i) the acts stated in Article 461, paragraph (1), item (i) of the Act: the person stated below:
 - (a) directors and executive officers who performed duties related to the

- delivery of monies, etc. as a result of purchase of shares;
- (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting stated in Article 140, paragraph (2) of the Act;
- (c) if a company auditor (including the audit and supervisory committee and audit committee; that applies below in this Article) or a financial auditor requests a report related to calculations of the distributable amount; directors and executive officers who gave reports in response to the request;
- (ii) the acts stated in Article 461, paragraph (1), item (ii) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of acquisition of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to acquisition of shares at a shareholders meeting concerning a decision under the provisions of Article 156, paragraph (1) of the Act;
 - (c) directors who gave approval to the acquisition of shares at a board of directors meeting concerning a decision under the provisions of Article 156, paragraph (1) of the Act;
 - (d) if a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
- (iii) the acts stated in Article 461, paragraph (1), item (iii) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of acquisition of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to acquisition of shares at a shareholders meeting concerning a decision under the provisions of Article 157, paragraph (1) of the Act;
 - (c) directors who gave approval for the acquisition of shares at a board of directors meeting concerning a decision under the provisions of Article 157, paragraph (1) of the Act;
 - (d) if a company auditor or a financial auditor requests a report related to calculations of the distributable amount; directors and executive officers who gave reports in response to the request;
- (iv) the acts stated in Article 461, paragraph (1), item (iv) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of acquisition of shares;

- (b) directors and executive officers who provided explanations regarding matters related to acquisition of shares at a shareholders meeting stated in Article 171, paragraph (1) of the Act;
- (c) if a company auditor or a financial auditor requests a report related to calculations of the distributable amount; directors and executive officers who gave reports in response to the request;
- (v) the acts stated in Article 461, paragraph (1), item (v) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of purchase of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting stated in Article 175, paragraph (1) of the Act;
 - (c) if a company auditor or a financial auditor requests a report related to calculations of the distributable amount; directors and executive officers who gave reports in response to the request;
- (vi) the acts stated in Article 461, paragraph (1), item (vi) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of purchase of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting concerning a decision under the provisions of the second sentence of Article 197, paragraph (3) of the Act;
 - (c) directors who gave approval to the purchase of shares at a board of directors meeting concerning a decision under the provisions of the second sentence of Article 197, paragraph (3) of the Act;
 - (d) if a company auditor or a financial auditor requests a report related to calculations of the distributable amount; directors and executive officers who gave reports in response to the request;
- (vii) the acts stated in Article 461, paragraph (1), item (vii) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of purchase of shares;
 - (b) directors and executive officers who provided explanations regarding matters related to purchase of shares at the shareholders meeting concerning a decision under the provisions of the second sentence of Article 234, paragraph (4) of the Act (including when it is applied mutatis mutandis pursuant to Article 235, paragraph (2) of the Act);
 - (c) directors who gave approval to the purchase of shares at a board of directors meeting concerning a decision pursuant to the provisions of the

- second sentence of Article 234, paragraph (4) of the Act (including when it is applied *mutatis mutandis* pursuant to Article 235, paragraph (2) of the Act);
- (d) if a company auditor or a financial auditor requests a report related to calculations of the distributable amount; directors and executive officers who gave reports in response to the request;
 - (viii) the acts stated in Article 461, paragraph (1), item (viii) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of payment of dividends of surplus;
 - (b) directors and executive officers who provided explanations regarding matters related to the payment of dividends of surplus at a shareholders meeting concerning a decision pursuant to the provisions of Article 454, paragraph (1) of the Act;
 - (c) directors who gave approval for the payment of dividends of surplus at a board of directors meeting concerning a decision pursuant to the provisions of Article 454, paragraph (1) of the Act;
 - (d) if a company auditor or a financial auditor requests a report related to calculations of the distributable amount, directors and executive officers who gave reports in response to the request;
 - (ix) the acquisition of shares in response to a demand pursuant to the provisions of Article 116, paragraph (1) of the Act concerning the acts stated in each item of that paragraph: directors who performed duties related to the delivery of monies, etc. as a result of acquisition of shares, and the persons as provided in the following (a) through (d) in accordance with the categories of acts stated in (a) through (d):
 - (a) a change to the articles of incorporation establishing provisions on the matters stated in Article 107, paragraph (1), item (i) of the Act recognized as the characteristics of all shares issued: the persons stated below:
 1. directors who submitted the proposal related to the change to the articles of incorporation at a shareholders meeting;
 2. directors who consented to a decision on the submission of the proposal stated in 1. (excluding directors in a company with a board of directors);
 3. when the submission of the proposal stated in 1. was based on a resolution of a board of directors; directors who gave approval to the resolution of the board of directors;
 - (b) a change to the articles of incorporation establishing provisions on the matters stated in Article 108, paragraph (1), item (iv) or item (vii) of the Act recognized as the characteristics of a certain class of shares: the persons stated below:

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

- (a) directors who performed duties related to the delivery of monies, etc. as a result of acquisition of shares;
- (b) directors who submitted the proposal related to the consolidation of shares at the shareholders meeting stated in Article 180, paragraph (2) of the Act;
- (c) directors who consented to a decision on the submission of the proposal stated in (b) (excluding directors in a company with a board of directors);
- (d) if the submission of the proposal stated in (b) was based on a resolution of a board of directors, directors who gave approval to the resolution of the board of directors;
- (xi) the acts stated in Article 465, paragraph (1), item (iv) of the Act: directors and executive officers who performed duties related to the delivery of monies, etc. as a result of acquisition of shares;
- (xii) the acts stated in Article 465, paragraph (1), item (v) of the Act: the persons stated below:
 - (a) directors and executive officers who performed duties related to the delivery of monies, etc. as a result of acquisition of shares;
 - (b) if the grounds stated in Article 107, paragraph (2), item (iii), (a) of the Act have arisen based on a resolution of a shareholders meeting; directors who submitted the proposal related to the relevant act at the shareholders meeting;
 - (c) directors who consented to a decision on the submission of the proposal stated in (b) (excluding directors in a company with a board of directors);
 - (d) if the submission of the proposal stated in (b) was based on a resolution of a board of directors; directors who gave approval to the resolution of the board of directors;
 - (e) if the grounds stated in Article 107, paragraph (2), item (iii), (a) of the Act have arisen based on a resolution of the board of directors; directors who gave approval to the resolution of the board of directors.

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

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

Article 161 The persons prescribed by Ministry of Justice Order as prescribed in

Article 462, paragraph (1), item (i), (b) of the Act, are the directors and executive officers who submitted the proposal to the board of directors meeting.

Part VIII Matters Related to Figures in Accounting for Membership Companies

(Amount of Losses)

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

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

(Amount of Profit)

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

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

(Amount of Surplus)

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

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

(Amount of Deficit)

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

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

(Amount of Net Assets)

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

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

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