

Summary of the Revised Cabinet Office Ordinances, etc.

1. Scope of companies eligible for voluntary application

Japanese companies whose financial or operational activities are conducted internationally may prepare their consolidated financial statements in accordance with “Designated IFRSs” (defined in section 2 below), provided that they meet the following requirements (1) and (2) (“Specified Companies”).

(1) All of the following requirements shall be met.

- (a) Shares issued by the companies are listed on a Securities Exchange in Japan.
- (b) The companies disclose in their Annual Securities Reports information regarding specific efforts to ensure appropriateness of their consolidated financial statements.
- (c) The companies allocate executives or employees with ample knowledge about Designated IFRSs and have in place a structure that enables them to properly prepare consolidated financial statements in accordance with Designated IFRSs.

(2) The companies, parent companies of the companies, other related companies¹ or parent companies of the other related companies shall either:

- (a) disclose under laws and regulations of foreign jurisdiction periodically as required thereby, documents on their business conditions prepared in accordance with IFRSs;
- (b) disclose under rules set by foreign security exchange markets periodically as required thereby, documents on their business conditions prepared in accordance with IFRSs;
- or
- (c) own a foreign subsidiary whose capital is equal to or exceeds the equivalent of two billion Japanese yen.

(3) Specified Companies may prepare their consolidated financial statements in accordance with Designated IFRSs in subsequent fiscal years as well, if they continue to meet the requirements(1)(b) and (c) above.

¹ Other related companies refer to those companies of which the companies submitting consolidated financial statements are associate companies.

2. Designation of IFRSs

The Commissioner of the FSA will designate and publish in the Official Gazette, those IFRSs published by the International Accounting Standards Board (IASB) which are recognized as having been approved and issued through fair and reasonable due process and are expected to be considered as being fair and appropriate financial reporting standards from the viewpoint of investor protection and market integrity in Japan (“Designated IFRSs”).

Designation of IFRSs involves examining whether accounting standards concerned have been developed and published via a process in which the standards have been:

- (i) clearly drafted and made generally known to the market in advance;
- (ii) carefully considered by various stakeholders;
- (iii) assessed by a large number of stakeholders as reasonable standards reflecting actual economic conditions; and
- (iv) widely received by the stakeholders as fair and appropriate financial reporting standards.

(Note) On December 11, 2009, after going through the examination process described above, the Commissioner of the FSA designated in their entirety, IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations approved and issued by the IASB, on or before June 30, 2009, as financial reporting standards to be applied to Specified Companies, without any curve-outs (Please refer to the attached “Designated IFRSs as of December 11, 2009”).

On June 30, 2009, FSA conducted the public consultation for the proposed revisions to the Cabinet Office Ordinances and the designation of the IFRSs and IFRIC interpretations published on or before June 30, 2009. The consultation period was closed on July 30, 2009.

The Commissioner of the FSA will further determine on the designation of the IFRSs approved and issued by the IASB after July 1, 2009, at least periodically, following the process described above.

In Japan, Designated IFRSs become effective, upon the designation by the Commissioner of the FSA, without additional steps to incorporate Japanese translation of such IFRSs into legislation.

3. Parallel disclosure

In the event that a company chooses to apply Designated IFRSs, the company will be required

to disclose in the initial fiscal year of such application:

- (1) condensed consolidated financial statements reported in accordance with Japanese Generally Accepted Accounting Standards (for the current and previous fiscal years) and a description of material changes in significant matters that serve as the basis for the preparation of consolidated financial statements (for the current and previous fiscal years); and
- (2) description of differences between main items prepared in accordance with Designated IFRSs and those with Japanese Generally Accepted Accounting Standards in approximate amounts (for the current and previous fiscal years)².

In subsequent fiscal years, the company will be required to disclose only the information set out in (2) above.

The information set out in (1) and (2) above is not within the scope of external audits.

(Note) In case that a company that currently applies the US GAAP for its consolidated financial statements will choose to apply Designated IFRSs, the disclosure requirements specified as (2) above will not be required because of the cost/benefit consideration.

4. Application to Specified Companies which do not prepare consolidated financial statements

Specified Companies which do not prepare consolidated financial statements may prepare their financial statements under Designated IFRSs, in addition to those under Japanese Generally Accepted Accounting Standards.

5. Other

The current treatment where certain Japanese listed companies are allowed domestically to submit their consolidated financial statements prepared under U.S. Generally Accepted Accounting Principles for the purpose of meeting the requirements under Financial Instruments and Exchange Act, will be discontinued for consolidated fiscal years ending after

² For example, when there is a significant difference in one of the main items of the consolidated financial statements such as revenue, approximate amount of the difference shall be disclosed.

March 31, 2016.

6. Effective Date

Specified Companies may apply Designated IFRSs to their consolidated financial statements starting from the consolidated fiscal years ending on or after March 31, 2010.