

ASBJ Statement No. 2 (revised 2006)

Accounting Standard for Earnings Per Share

ASBJ Guidance No. 4 (revised 2006)

Guidance on Accounting Standard for Earnings Per Share

ASBJ PITF No. 9 (revised 2006)

Practical Solution on Accounting for Earnings Per Share

January 31, 2006

Accounting Standards Board of Japan

Remarks on the Release

Following the promulgation of the Corporate Law (Law No. 86 of 2005) and its own release of accounting standards, including ASBJ Statement No. 4 *Accounting Standard for Directors' Bonus*, the Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") proceeded to examine, with the view to making necessary revisions, ASBJ Statement No. 2 *Accounting Standard for Earnings Per Share* (hereinafter referred to as the "pre-revision Standard") and ASBJ Guidance No. 4 *Guidance on Accounting Standard for Earnings Per Share* (hereinafter referred to as "pre-revision Guidance"), both of which had been released by the ASBJ on September 25, 2002, as well as ASBJ PITF No. 9 *Practical Solution on Accounting for Earnings Per Share* (hereinafter referred to as "pre-revision Practical Solution"), which had been released by the ASBJ on March 13, 2003. Subsequently, the ASBJ approved in its 97th meeting held on January 24, 2006 and hereby releases the above-captioned accounting standard (hereinafter referred to as the "Revised Standard"), guidance on the accounting standard (hereinafter referred to as the "Revised Guidance") and practical solution (hereinafter referred to as the "Revised Practical Solution").

This release is made after exposure drafts were announced to invite public comments on September 22, 2005 for the Revised Standard and Revised Guidance and on October 19, 2005 for the Revised Practical Solution and after the ASBJ revised them based on the comments received.

Outline

Major Revisions

The Revised Standard, Revised Guidance and Revised Practical Solution make changes to certain terms and remove certain Q&As in the pre-revision Standard, pre-revision Guidance and pre-revision Practical Solution concerning earnings per share (including diluted earnings per share; hereinafter the same) and net assets per share, respectively, following the promulgation of the Corporate Law and the ASBJ's release of accounting standards, including ASBJ Statement No. 4 *Accounting Standard for Directors' Bonus*. On the subject of the treatments of share options issued by an unlisted subsidiary, the Revised Practical Solution has also changed a previous view.

For items of disclosure under the Securities and Exchange Law, one must continue, as was the case in the past, to comply with provisions of the regulations for financial statements issued by Financial Service Agency, while their calculation methods should now be in accordance with the Revised Standard, Revised Guidance and Revised Practical Solution.

<Major Changes to Terms>

Pre-Revision	Post-Revision
Appropriation of profits	Appropriation of surplus
Right to claim profit dividend	Right to claim dividend
That in calculating earnings per share and net assets per share, the amount of directors' bonus payments through appropriation of profits should be deducted from the amount of earnings and net assets.	Removed (Removed because: as a result of the application of ABSJ Statement No. 4, which treats directors' bonus as expenses for the accounting period in which such bonuses are accrued, the amount of directors' bonus payments no longer needs to be adjusted in calculating earnings per share and net assets per share.)
Paid-in money for new shares Paid-in money for treasury shares	Removed (Removed because: while a new share subscriber would become a shareholder the day immediately following the stock payment date under previous rules, the shareholder status now starts on the stock payment date since the October 2004 amendment to the Commercial Code, and the

	same treatment is applied under the Corporate Law as well; therefore, the use of "Paid-in money for new shares" and "Paid-in money for treasury shares" as titles of accounting is no longer expected.)
Shareholders' Equity	Net Assets

<Removal of Q&As in the Revised Practical Solution>

- Q2 and its Answer in the pre-revision Practical Solution that describes the treatment of the portion of directors' bonus for an interim accounting period in calculating earnings per share has been removed because directors' bonus should now be accounted for as expenses.
- Q7 and its Answer in the pre-revision Practical Solution that describes the treatment of the number of parent company shares held by a consolidated subsidiary in calculating net assets per share has been removed because the same content is now described in Paragraph 34 of the Revised Guidance.

<Change of view in the Revised Practical Solution>

Under pre-revision Practical Solution, share options issued by an unlisted subsidiary were, as a general rule, not required to be reflected in the calculation of diluted earnings per share in the consolidated financial statements. As, however, the unlisted company should now also calculate a reasonable share value in the accounting treatment of share options, the Revised Practical Solution states that such share options should be reflected, allowing that their average value may be calculated by some simple method using such a reasonable share value.

Points to Note in Calculating Net Assets Per Share

ABSJ Statement No. 5 *Accounting Standard for Presentation of Net Assets in the Balance Sheet* states that items that have asset or liability features should be posted in the Assets or Liabilities section for balance sheet purposes and others should be posted in the Net Assets section as differences between assets and liabilities. Consequently, subscription rights to shares and minority interests should now be classified into and posted in the Net Assets section. As, however, the purpose of calculating and disclosing net assets per share has always been to show a company's financial conditions to common shareholders of the parent company, it should be noted that, in calculating net assets per share, subscription rights to

shares and minority interests should continue, as in the past, to be deducted from the total amount of the Net Assets section as an amount not concerning common shareholders.

Timing of Application

The Revised Standard, Revised Guidance and Revised Practical Solution will apply to financial statements for periods ending on or after the date of enforcement of the Corporate Law.

It should also be noted that the calculation of earnings per share and net assets per share prior to the application of the Revised Standard, Revised Guidance and Revised Practical Solution should be in pursuance to the pre-revision Standard, pre-revision Guidance and pre-revision Practical Solution.