

*ASBJ Statement No. 6*

**Accounting Standard for Statement of Changes in Net Assets**

*ASBJ Guidance No. 9*

**Guidance on Accounting Standard for Statement of Changes in Net Assets**

**December 27, 2005**

**Accounting Standards Board of Japan**

**Remarks on the Release**

Currently, on the non-consolidated basis, calculation of unappropriated retained earnings is presented at the bottom of the income statements, and, in accordance with the vote on the appropriation of retained earnings (or the disposal of accumulated losses) by shareholders at general meeting, the statement of the appropriation of retained earnings (or the statement of the disposal of accumulated losses) is disclosed. On the consolidated basis, the statement of consolidated surplus is disclosed to indicate changes in capital surplus and retained earnings.

In its proposal letter, the Theme Advisory Council has recommended that a statement to disclose changes in net assets be introduced and has raised the issue as a topic for the deliberation by the Accounting Standards Board of Japan (hereinafter, ASBJ).

In a related development, the Corporate Law (Law No. 86, 2005) stipulates that all corporations should prepare a statement of changes in net assets and that this statement should be sent to shareholders.

In light of these developments, the ASBJ has deliberated the consolidated and the non-consolidated statements of changes in net assets (hereinafter, statements of changes in net assets) as statements indicating changes in net assets. Exposure drafts of the accounting standard were released on August 30, 2005, and comments were widely sought. The ASBJ considered the comments received, revised the exposure drafts, and approved ASBJ Statement No. 6 and ASBJ Guidance No. 9 (hereinafter, the accounting standards) for public release at the 94th ASBJ meeting of December 2, 2005.

## **Outline of the Accounting Standard**

### *Objective for preparing statements of changes in net assets*

Statements of changes in net assets are to be prepared mainly for the purpose of disclosing causes of changes for the items of owners' equity (the section attributable to owners) among changes in the net assets section of the balance sheet for a given accounting period.

### *Presentation items*

Presentation items for statements of changes in net assets will follow the presentation items for the net assets section of the balance sheet as stipulated by ASBJ Statement No. 5 *Accounting Standards for Presentation of Net Assets in the Balance Sheet*.

### *Presentation methods*

#### ➤ Items of owners' equity

Items of owners' equity shall be presented with the balance at the end of the previous period, changes in the current period, and the balance at the end of the current period. Changes of items during the period shall be disaggregated for each cause of changes.

Net income (or net loss) on the consolidated income statement shall be presented as a cause of changes of earned surplus. Net income (or net loss) on the non-consolidated income statement shall be presented as a cause of changes of other earned surplus, or earned surplus brought / carried forward.

#### ➤ Items other than owners' equity

Items other than owners' equity shall be presented with the balance at the end of the previous period, changes in the current period, and the balance at the end of the current period. Changes of items other than owners' equity during the period shall be presented in net amounts. However, changes of items other than owners' equity during the period may be disaggregated for major causes of change (including disclosure in the Notes).

### *Notes*

In the consolidated statements of changes in net assets, notes on (a) total numbers and periodic changes of numbers of shares issued by class, (b) total numbers and periodic changes of numbers of treasury stock by class, (c) subscription rights to shares and

subscription rights to shares held by an issuing company, and (d) dividends shall be presented. In the non-consolidated statements of changes in assets, notes on (a) total numbers and periodic changes of numbers of treasury stock by class shall be presented.

*Effective date*

The consolidated and non-consolidated statements of changes in net assets shall be prepared starting with the fiscal year ending on and after the date the Corporate Law takes effect. The consolidated and non-consolidated interim statements of changes in net assets are to be prepared starting with interim periods ending on and after the date the Corporate Law takes effect. The Corporate Law is expected to take effect in May 2006.

## Consolidated Statement of Changes in Net Asset

	Owners' equity					Valuation and translation adjustments (*1)				Subscription rights to shares	Minority interests	Total Net assets (*2)
	Paid-in capital	Capital surplus	Earned surplus	Treasury Stock	Total Owners' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Total Valuation and translation adjustments (*2)			
<b>Balance at the end of previous period</b>	xxx	xxx	xxx	△xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Changes of items during the period (*3)</b>												
Issuance of new shares	xxx	xxx			xxx							xxx
Dividends from surplus			△xxx		△xxx							△xxx
Net income			xxx		xxx							xxx
× × × × ×												
Disposal of treasury stock				xxx	xxx							xxx
Others			xxx		xxx							xxx
Net changes of items other than owners' equity						(*4) xxx	(*4) xxx	(*4) xxx	xxx	(*4) △xxx	(*4) xxx	xxx
<b>Total changes of items during the period</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	△xxx	xxx	xxx
<b>Balance at the end of the current period</b>	xxx	xxx	xxx	△xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(\*1) With regard to each item under "Valuation and translation adjustments," the balance at the end of the previous period, changes during the period and the balance at the end of the current period may be presented in notes to the statement of changes in net assets. In this case, these amounts of total valuation and translation adjustments shall be presented on the face of the statement of changes in net assets.

(\*2) Presentation of those totals may be left out.

(\*3) Presentation of the causes of changes of items during the period under "owners' equity" shall basically follow the order of items in net assets.

(\*4) Instead of being presented in net amount of change during the period, the change of each item during the period in categories other than "owners' equity" may be disaggregated by cause either on the face of the statement of changes in net assets or in notes. In the former case, causes for each change of items in category other than "owners' equity" shall basically come after causes for each change of items in "owners' equity."