

ASBJ Statement No.17

**Accounting Standard for Disclosures about Segments of an Enterprise and Related Information
and**

ASBJ Guidance No.20

Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information

March 21, 2008

Accounting Standards Board of Japan

Remarks on the Release

The Accounting Standards Board of Japan (hereinafter referred to as “ASBJ”) has so far conducted a series of deliberations on segment reporting for the purpose of reviewing conventional segment reporting in Japan and developing accounting standards, considering that segment reporting became a topic in the joint project between the ASBJ and the International Accounting Standards Board (IASB) for the convergence of their accounting standards in March 2005.

On March 14, 2008, at the 148th meeting, the ASBJ approved the aforementioned accounting standard (hereinafter, “the Accounting Standard”) and its implementation guidance (hereinafter, “the Implementation Guidance”) for public release. The Accounting Standard and the Implementation Guidance are hereby released today to the public.

After publishing for public comment the exposure draft of the Accounting Standard and the Implementation Guidance on September 4, 2007, the ASBJ reviewed the comments received, and amended part of the proposed exposure draft to reflect the comments.

Outline of the Accounting Standard and its Implementation Guidance

■ Scope

The Accounting Standard and its Implementation Guidance shall apply to (1) disclosures about segments of an enterprise, (2) enterprise-wide disclosures, (3) information about impairment loss of fixed assets in reportable segments, and (4) information about goodwill in reportable segments (hereinafter collectively referred to as “disclosures about segments of an enterprise and related information”) in consolidated financial statements or non-consolidated financial statements of all enterprises (hereinafter referred to as “financial statements”). However, if disclosures about segments of an enterprise and related information are disclosed in consolidated financial statements, such information need not be repeated in non-consolidated financial statements.

■ Core Principle

The Accounting Standard and its Implementation Guidance adopt the management approach adopted in International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in the United States (USGAAP) as the segment reporting method. Disclosures about segments of an enterprise and related information shall provide proper information on the nature of various business activities in which it engages and the economic environments in which it operates, so that users of financial statements can understand the enterprise’s performance and properly evaluate future cash flow predictions.

■ Operating segments

An enterprise shall identify operating segments as units of segment reporting. An operating segment is a component of an enterprise:

- (1) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same enterprise.)
- (2) whose operating results are regularly reviewed by the enterprise’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (3) for which discrete financial information is available.

The term ‘chief operating decision maker’ identifies a function, which is to allocate resources to and assess the performance of the operating segments of an enterprise.

■ Reportable segments

An enterprise shall report separately information about each operating segment that:

- (1) has been identified, or results from aggregating two or more of those segments in accordance with aggregation criteria, and
- (2) exceeds the quantitative thresholds.

If two or more operating segments fulfill all of the following requirements, an enterprise may aggregate such operating segments into a single operating segment.

- (1) Aggregation is consistent with the core principle for disclosures about segment of an enterprise.
- (2) The segments have similar economic characteristics.
- (3) The segments are similar in each of the following respects:
 - ① The nature of the products and services;
 - ② The nature of production processes;
 - ③ The type of market or customer for their products and services;
 - ④ The methods used to distribute their products or provide their services;
 - ⑤ The nature of the regulatory environment, for example, banking, insurance or public utilities.

■ Disclosure and Measurement

An enterprise shall disclose the following items of disclosures about segments of an enterprise.

- (1) General information about reportable segments
- (2) Information about reported segment profit or loss, segment assets, segments liabilities and other material items, and the basis of measurement)

Mandatory disclosure items	① Profit or loss ② Assets
Items to be disclosed if regularly provided to the chief operating decision maker and used	Liabilities

Items to be disclosed if included in measure of reported segment profit or loss, segment assets, segments liabilities, otherwise regularly provided to the chief operating decision maker, even if not included in that measure of reported segment profit or loss, segment assets, segments liabilities	<p>Items related to profit or loss</p> <p>① Revenues from external customers (including revenues from services, the same shall apply hereinafter)</p> <p>② Revenues from transactions with other operating segments of the same enterprise</p> <p>③ Depreciation (including amortisation of intangible fixed assets excluding goodwill)</p> <p>④ Amortisation of goodwill and negative goodwill</p> <p>⑤ Interest revenue and interest expense</p> <p>⑥ Investment profit or loss on equity method</p> <p>⑦ Extraordinary gain or loss</p> <p>⑧ Income tax expense or income (income taxes and adjustments to income taxes)</p> <p>⑨ Other material non-cash items</p>
	<p>Items related to assets</p> <p>① The amount of investment in associates accounted for by the equity method</p> <p>② Total expenditures for additions to tangible fixed assets and intangible fixed assets</p>

An enterprise shall perform disclosures about segments of an enterprise based on the amounts reported to the chief operating decision maker for the purpose of making decisions on the allocation of resources to and assessing the performance of the operating segments.

- (3) Reconciliations of the totals of each segment item to corresponding enterprise amounts

■ Enterprise-wide disclosures

An enterprise shall disclose the following information as enterprise-wide disclosures only if it is not provided as part of the reportable segment information. Amounts in enterprise-wide disclosures shall be based on the financial information used to prepare the enterprise's financial statements.

- (1) Information about products and services

An enterprise shall report the revenues from external customers for each product and service or each group of similar products and services.

- (2) Information about geographic areas

An enterprise shall report the following geographic information.

- ① Revenues from external customers attributed to the enterprise's country of domicile and attributed to all foreign countries in total from which the enterprise

derives revenues

- ② Tangible fixed assets located in the enterprise's country of domicile and located in all foreign countries in total in which the enterprise hold assets

(3) Information about major customers

If there are major customers, an enterprise shall disclose that fact, the identity or name of each such customer, the amount of revenues from each such customer, and the identity of the main reportable segments relating to transactions with each such customer.

■ **Disclosure of Information about Impairment Loss of Fixed Assets in Reportable Segments**

If an enterprise has recognized an impairment loss of fixed assets in its consolidated income statement or non-consolidated income statement (hereinafter referred to as "income statement"), the enterprise shall disclose the amount of such an impairment loss by reportable segment based on the financial information used to prepare the enterprise's financial statements. If there is any impairment loss not allocated to reportable segments, the amount and description of such an impairment loss shall be disclosed. However, if it is provided as part of the reportable segment information, such information need not be repeated.

■ **Disclosure of Information about Goodwill in Reportable Segments**

If an enterprise has recognized amortization of goodwill or negative goodwill in its income statement, the enterprise shall disclose the amortized amount and unamortized balance by reportable segment based on the financial information used to prepare the enterprise's financial statements. If there is any goodwill or negative goodwill not allocated to reportable segments, the amount and description of such amortized amount and unamortized balance shall be stated. However, if it is provided as part of the reportable segment information, such information need not be repeated.

■ **Effective Date and Transition**

This Accounting Standard and its Implementation Guidance shall be applied to consolidated accounting years and fiscal years beginning on or after April 1, 2010, considering that preparers of financial statements and other constituents need to prepare for adapting to the Accounting Standard.

Treatment in Quarterly Financial Statements

The Accounting Standard and its Implementation Guidance prescribe disclosures about segments of an enterprise and related information in annual financial statements.

ASBJ plans to continue conducting necessary deliberations on the treatment of disclosures about segments of an enterprise and related information in quarterly consolidated financial statements and quarterly non-consolidated financial statements.

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