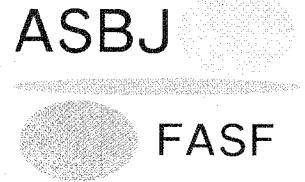


Accounting Standards Board of Japan (ASBJ)
Financial Accounting Standards Foundation (FASF)

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January 18, 2005

Committee of European Securities Regulators
11-13 Avenue de Friedland
75008 Paris
France

Dear Messrs. Tiner and Koster:

Our Reply to your Questionnaire on Equivalence of Third Country GAAP

We would like to reply to your questionnaire within your letter dated November 23.

We are currently working on the Appendix 3 "Detailed Comparison between IAS/IFRS and Japanese GAAP," to supplement our reply to the questionnaire, and will submit it to you shortly.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Shizuki Saito', written in a cursive style.

Shizuki Saito
Chairman, Accounting Standards Board of Japan

Appendices :

1. Reply to your Questionnaire on Equivalence
2. Comparison between IAS/IFRS and Japanese GAAP
4. Organization of the ASBJ (as of December 2004)
5. Medium-Term Operation Policy of the Accounting Standards Board of Japan

Questionnaire on equivalence of third country GAAP

Section 1 – Generally Accepted Accounting Principles

a. Please describe the financial reporting standards that are legally enforceable in your jurisdiction as of January 2005, and which are covering the list of topics mentioned in Annex 2?

The Japanese financial reporting standards legally enforceable to public companies, as of January 2005 consist of the following:

- Securities and Exchange Law (the “SEL”), and its related regulations
- Accounting Standards (issued by the Business Accounting Council (the “BAC”), an independent body within the Financial Services Agency organised for accounting and auditing issues; and had been an accounting setter until the Accounting Standards Board of Japan (the “ASBJ”) was established in July 2001.)
- Accounting standards, Guidance on Accounting Standards, and Reports of Practical Issues Task Force (issued by the ASBJ, an independent private accounting setter)
- Practical Guidelines on Accounting Standards (issued by the Japanese Institute of Certified Public Accountant (the “JICPA”), a statutory organisation of auditing practitioners, and had prepared guidelines for Accounting Standards announced by the BAC, until the ASBJ was established in July 2001.)

These financial reporting standards are organised in Appendix 2 to be correspondent with each standard under IAS/IFRS, and if clearly corresponding standard for each IAS/IFRS is not applicable under Japanese GAAP, reasons are provided under “Remarks” column in the appendix, together with the brief comparison between IAS/IFRS and Japanese GAAP. The detailed comparison between IAS/IFRS and Japanese GAAP are summarised in Appendix 3.

The Commercial Code and its related accounting regulations govern all joint-stock companies in Japan. The Commercial Code requires all joint-stock companies (including public companies) to prepare non-consolidated financial statements based on the Commercial Code, and disclose consolidated financial statements prepared under the SEL; whereas the SEL requires public companies to prepare both consolidated and non-consolidated financial statements, and recognizes consolidated

financial statements as primary financial statements, and non-consolidated financial statements as secondary financial statements. In addition, Accounting Standards for Consolidated Financial Statements and Regulations for Presentation and Disclosure of Consolidated Financial Statements require that consolidated financial statements shall be prepared based on the non-consolidated financial statements. Therefore, in the process of preparing non-consolidated financial statements, the regulations under the SEL and the Commercial Code co-relate each other.

b. Where relevant, please also describe any other principles/guidance which are not mandatory applicable but are relevant for this project.

There are several research reports issued by the JICPA which discuss accounting treatments for spin-offs and exchange of shares. These research reports are widely referred in current practice, although they are not mandatory. However, they will be replaced, when new accounting statements (i.e. Accounting Standards for Spin-offs, and Guidance of Accounting Standards for Business Combinations and Spin-offs, which are currently under discussion) are developed by the ASBJ.

c. Could you please include a description of the formal hierarchy of your standards? In particular, indicate whether the financial reporting standards referred to above are e.g. accounting standards, company law provisions, and corporate governance standards. Please also state whether provisions referred to are standards or interpretation (where necessary, please mention the basis for the enforceability).

The following illustrates our formal hierarchies of accounting standards, and related governing laws.

I. Generally accepted accounting principles in Japan (Japanese GAAP)

Japanese GAAP are categorized by the following hierarchy.

- 1 Accounting Standards (issued by the BAC or the ASBJ)
- 2 Guidance on Accounting Standards and Reports of Practical Issues Task Force (issued by the ASBJ)
- 3 Practical Guidelines on Accounting Standards and Q&As (issued by the JICPA)
- 4 Generally accepted accounting practices

Accounting Standards are standards, and others are their interpretations.

II. Applicable law and regulations for public companies

The following laws and regulations primarily govern the financial reporting of public companies.

- The SEL
- Regulations for Presentation and Disclosure of Consolidated Financial Statements, Financial Statements, Semi-Annual Consolidated Financial Statements, and Semi-Annual Financial Statements (collectively referred as “Regulations for presentation and disclosure of financial statements”)

The Financial Services Agency (“FSA”) is responsible for these laws, regulations, and rules. In addition, the Commercial Code and its related provisions (i.e. the Commercial Code, and its related laws and detailed regulations) are applied to preparation of non-consolidated financial statements, and the Ministry of Justice is responsible for the Commercial Code and its related provisions.

Accounting standards are enforceable under the SEL, since it is explicitly stated under the Regulations for presentation and disclosure of financial statements that in preparing consolidated and non-consolidated financial statements, generally accepted accounting principles shall be followed. In addition, there is a provision under the Commercial Code that fair accounting practices should be considered for the interpretation of provisions in preparing non-consolidated financial statements.

Accounting standards issued by the BAC are treated as generally accepted accounting principles under the Regulations for presentation and disclosure of financial statements.

The FSA issues notices for accounting standards issued by the ASBJ that these standards shall be treated as part of generally accepted accounting principles. In addition, the Accounting Standards, Guidance on Accounting Standards, and Reports of Practical Issues Task Force pronounced by the ASBJ were confirmed to be part of GAAP by the following nine foundations parties (i.e. Japan Business Federation, the JICPA, the National Conference of Stock Exchanges, Japan Securities Dealers Association, Japanese Bankers Association, the Life Insurance Association of Japan, the General Insurance Association of Japan, the Japan Chamber of Commerce and Industry, and the Security Analysts Association of Japan).

d. Please indicate whether there are any additional or different enforceable final standards whose date of application would be after 1st January 2005.

Following standards have been already approved and published by the BAC, and shall be effective after January 2005.

- Accounting Standards for Impairment of Assets (published in August 2002, and shall be effective for the fiscal periods beginning on or after April 2005. Early adoption is permitted, and these standards have been already widely applied by many listed companies.)
- Accounting Standards for Business Combinations (published in October 2003, and shall be effective for the fiscal periods beginning on or after April 2006)

e. Do you anticipate other significant changes in your GAAP to take place before 1st January 2007 (date upon which all third country issuers in Europe will have to present financial statements prepared under IAS/IFRS or equivalent GAAP, for reporting under Transparency and Prospectus EU Directive)?

Accounting Standards for Share-based Payments and Accounting Standards for Spin-offs are currently under deliberation by the ASBJ, and the Exposure Draft on Accounting Standards for Share-based Payments was published in December 2004. In addition, change in Accounting Standards for Leases is currently under deliberation.

Further, several topics, which will be in the scope of the first phase of the joint project between the ASBJ and the IASB (please see section 7 for detail) are expected to be developed or revised by the end of 2006, if deliberations proceed smoothly.

Section 2- Description of differences
<p>a. Please describe any differences between your financial reporting standards and the IAS/IFRS listed in Appendix 2 (please indicate which of your national financial reporting standards correspond to each IAS/IFRS mentioned).</p> <p>Differences should be mentioned with regard to the following types of provisions:</p> <ul style="list-style-type: none">▪ Scope▪ Presentation/measurement▪ Recognition▪ Disclosure
<p>Please find Appendix 2 and 3 for reference of comparison between Japanese GAAP and IAS/IFRS. In order to make tables more understandable, the overview is provided under Appendix 2, and detailed analysis are provided under Appendix 3.</p>
<p>b. When information is provided to investors through other means than in the financial statements; is this information subject to audit requirements identical to those applicable for financial statements?</p>
<p>Information other than financial statements that are included in legal disclosure documents is not subject to audit requirements, applicable for financial statements. However, in practices, independent auditors read these information as part of professional due care, noting any significant inconsistencies between the financial statements and other information. If any significant differences are noted, these differences shall be stated in the explanatory paragraph of the independent auditors' reports, as required by auditing standards and its implementation guidance.</p> <p>From April 2004, quarterly financial information requirements have been introduced to listed companies of the first and the second section at Tokyo Stock Exchange ("TSE"), and the disclosure of quarterly financial statements will be mandatory beginning April 2007 at TSE, and the review of such quarterly financial statements by independent auditors is performed on discretionary basis.</p> <p>Furthermore, the requirements for disclosure of quarterly financial information under the SEL, and also the need for assurance of quarterly financial statements are under deliberation at the Disclosure Working Group of Financial System Council, an independent body established for disclosure issues within the FSA.</p> <p>In addition, accounting-related descriptions in the Business Reports under the Commercial Code</p>

which are to be distributed to shareholders shall be audited, and therefore audit opinions are given to such accounting-related descriptions in the Business Reports together with the financial statements.

Section 3 – Standard Setting Process

a. What is(are) the name of the body(ies) entrusted with the standard setting process in your jurisdiction? Please detail structure, functions and responsibilities of these bodies.

The ASBJ, which was established in July 2001 as a private-sector organisation in the Financial Accounting Standards Foundation (FASF), is responsible for setting Japanese accounting standards and contributing to the development of international accounting standards, and all Japanese accounting standards whose deliberations started after its foundation in July 2001 have been developed by the ASBJ.

The ASBJ consists of thirteen board members (two of them work full-time) and twenty technical staff (all full-time). The Board members consist of market participants such as investors, preparers, auditors, and analysts, as well as academics. In addition, the Board sets up Technical Committees (“TC”) for respective major agendas and entrusts the TC for research and deliberation of technical matters. The TC consist of some board members, market participants, academics, and the ASBJ’s technical staffs.

The ASBJ has been developing accounting standards under the fundamental philosophies of “fairness,” “transparency” and “independence,” considering international accounting standards as an important external factor. These principles are stated in the Medium-Term Operating Policy of the ASBJ formulated in July 2004 as a basic principle for the development of accounting standards.

(Note)

Please see Appendix 4 “Organisation chart of the ASBJ” and Appendix 5 “ Medium-term operating policy of the ASBJ.”

b. Please include a brief description of the standard setting process (of the standards referred to above).

The following summarizes brief descriptions of the standard setting process in Japan.

- The Board determines subjects to be deliberated, considering the proposals by the Theme Advisory Council within the FASF.
- The Board, in principle, sets up TC for each agenda. The Board and TC discuss each agenda with its discussion open to public observation, and the TC draft up Issue Papers (if necessary) and Exposure Drafts, in order to consider opinions from public including market participants. These papers and drafts need to be approved by the Board before they are issued, and public comments on them are invited for more than one month.
- Drafts of Accounting Standards, Guidance on Accounting Standards and Reports of Practical Issues Task Force are revised as final draft by the TC after they analyse the comments received, and are finalised by the Board through further deliberations. These finalised versions are made to public immediately after the resolution by the Board.
- Resolution by the Board should be made with votes of three-fifth of the members or more.
- The FSA issues notices that these Accounting Standards shall be treated as a part of generally accepted accounting principles.

c. Are the standards referred to above easily accessible in English?

Following are available for our accounting standards as easily accessible resources in English.

- “FASF Japanese Accounting Standards” (issued by the FASF)
The contents of this resource are Accounting Standards developed or revised from 1993 to 2000, which includes Accounting Standards for Consolidated Financial Statements, Consolidated Statement of Cash Flows, Foreign Exchange Transactions, Leases, Semi-annual Consolidated Financial Statements, Research and Development Costs, Retirement Benefits, Income Taxes, and Financial Instruments), and their related Practical Guidelines issued by the JICPA. This resource is available by CD-Rom.
- ”Corporate Disclosure in Japan – Accounting” (issued by the JICPA)
This was prepared for the purpose of presenting Japanese accounting standards as of 1999, and

Business Enterprise Accounting Standards was included.

(Note) Most of our current major accounting standards are included in the resource above, although Accounting Standards developed after 2000 (Accounting Standards for Impairment of Assets, Business Combinations, Treasury Stock, and Earnings Per Share) are not covered by them.

Section 4 – Conceptual framework

a. Do you have general financial reporting principles identical to the ones set out in the IAS/IFRS framework? Please describe any difference.

The ASBJ released a discussion paper “Conceptual Framework of Financial Reporting” in September 2004. This was the result of a study by a working group commissioned by the Board, and was released in the name of the ASBJ. This is not a final statement but summarises the basic philosophies underlying current Japanese accounting standards, and therefore we consider it useful for understanding current Japanese accounting standards.

The discussion paper consists of “Objectives of Financial Reporting”, “Qualitative Characteristics of Accounting Information”, “Elements of Financial Statements”, and “Recognition and Measurement in Financial Statements.” In the “Objectives of Financial Reporting” section of the discussion paper, the primary objective of financial reporting is defined to provide investors with information that is useful for investors’ decision-making, which is consistent with the IAS/IFRS Framework.

In addition, in “Elements of Financial Statements” section, “comprehensive income” which is derived from the concept of assets and liabilities is defined as an element, and “net income” which is a component of items of comprehensive income, and similar to “earnings” stated in FASB Statement of Concepts No.5, is defined as an element, as well.

b. Are your enforceable financial reporting standards taking into account the four characteristics as described in the concept paper released by CESR? Where not the case, please explain the differences.

The four characteristics described in the concept paper released by CESR (i.e. Relevance, Reliability, Comparability, and Understandability) have been taken into account in development and improvement of financial accounting standards in Japan.

Our discussion paper “Conceptual Framework of Financial Reporting” takes these four characteristics into consideration, and, as a result of organizing these discussions, Relevance and Reliability are placed at the highest level. Comparability (i.e. the concept that comparability among different entities and different time-series can be accomplished if similar facts are converted into similar information) is considered to be under the concept of Representational Faithfulness (i.e. the concept that different accounting treatment shall be applied to different facts, and consistent accounting treatments shall be applied to same facts), which is the lower-level characteristics that support Reliability. While Understandability is also considered to be important, it is explained as a self-evident characteristic in describing the premise in our discussion paper that financial reporting is considered to be provided for sophisticated investors in certain level.

c. Do financial statements prepared under the basis of your GAAP pursue the same objectives as financial statements prepared under IAS/IFRS?

The purpose of the SEL is to accomplish the fairness in issuance, trading and other transactions of securities related transactions, in order to protect investors. For that purpose, public companies are required to disclose financial reporting mainly on consolidated basis.

Therefore, the primary objective of financial reporting which is a measure to accomplish the ultimate objective above is to provide investors with information that is useful in anticipating future cash flows of entities, in other words, information useful in expecting performance of entities, and estimating values of entities. This objective of financial reporting is consistent with that under IAS/IFRS framework which defines the objective of financial statements to provide information about the financial position, performance and changes in financial position of entities that is useful to a wide range of users in making economic decisions.

Accordingly, financial statements prepared under the basis of Japanese GAAP pursue the same objective with financial statements prepared under IAS/IFRS.

This discussion is explicitly stated under “Objectives of Financial Reporting” in the discussion paper above.

Section 5 -Published comparison
<p>Have you conducted and published any exercise comparing and describing differences between IAS/IFRS and your country GAAP? If so, please provide us with a copy.</p> <p>Please also mention any other similar analysis that would have been made by a separate reliable body</p>
<p>The ASBJ is preparing the materials showing comparison between Japanese GAAP and IAS/IFRS to use for the joint project with the IASB (please see Section 7), which is almost similar to Appendix 3.</p> <p>Following materials were published to discuss the comparison between IAS/IFRS and Japanese GAAP by reliable bodies.</p> <ul style="list-style-type: none">■ “Evolving Japanese GAAP – High quality accounting standards” (issued by the FSA, April 2004)■ “Report on the Internationalization of Business Accounting in Japan” (issued by Study Group on the Internationalization of Business Accounting under Ministry of Economy, Trade and Industry, June 2004)
Section 6 -Standards not covered by IAS/IFRS
<p>Are there standards/principles covered by your GAAP that are not covered by IAS/IFRS? If so, (i) do they comply with IAS/IFRS basic principles contained in the IAS Framework and IAS 1 and (ii) are they compatible with all other IAS/IFRS endorsed for use in the EU?</p>
<p>There are several detailed accounting rules in accordance with Japanese legal system. For example, there is an accounting standard for employees’ pension fund plans based on the Welfare Pension Insurance Law, which is not specifically covered by IAS/IFRS. However, it seems that this standard does not contradict with basic principles of IAS/IFRS, and is compatible with all other IAS/IFRS endorsed for use in the EU.</p>
Section 7 Convergence projects
<p>Is it intended that there will be any convergence project of your country’s national standards with IAS/IFRS or with another framework -? If so, please describe the project.</p>
<p>In October 2004, the ASBJ and the IASB started talks about a joint project to reduce differences between Japanese GAAP and IAS/IFRS towards a final goal of convergence of their standards. In the joint project, both boards will identify and assess differences in their existing standards on the basis of their respective conceptual frameworks or basic philosophies, and adopt a phased approach.</p>

The ASBJ will propose the topics for the scope of the first phase shortly. An initial meeting between representatives of the two Boards will take place in Tokyo in early spring of 2005.

Since deliberations of some topics within the scope of the first phase are expected to be completed by the end of 2006 if the deliberations proceed smoothly, we hope that CESR would take them into consideration in the technical assessment.

Section 8 Other issues

In understanding this exercise at this stage, do you identify any other particular issue that might be relevant for your national issuers in EU?

N/A

Comparison between IAS/IFRS and Japanese GAAP

	IAS and IFRS Issued	List of Japanese GAAP	Scope	Presentation/Measurement	Recognition	Disclosure	Remarks
IFRS 1	First-time Adoption of International Financial Reporting Standards	N/A					There is no need for this standard under Japanese GAAP, since this standard only addresses the first year application of IFRS.
IFRS 2	Share-based Payment	Reports of Practical Issue Task Force on Accounting for New Share Reservation Rights and Corporate Bonds with New Share Reservation Rights		Please see Appendix 3 for detail	Please see Appendix 3 for detail	Please see Appendix 3 for detail	Under Japanese GAAP, accounting standards for share-based payment is currently under deliberation, and the exposure draft which requires fair value measurement of share-based payments as of grant date, was issued by ASBJ in December 2004.
IFRS 3	Business Combinations	Accounting Standards for Business Combinations		Please see Appendix 3 for detail	Under Japanese GAAP, the purchase method shall be applied to accounting for business combinations in principle; while the pooling-of-interest method shall be applied in exceptionally limited cases. Also, goodwill shall be amortised with impairment. Please see Appendix 3 for more details.		Under Japanese GAAP, the pooling-of-interest method shall be applied for the business combination in exceptionally limited cases where no party obtains control over the other upon business combinations and thus shareholders' interests in entities are not discontinued thereon, and it is expected that this will be applied only in exceptional cases. Under Japanese GAAP, goodwill shall be amortised with regular impairment tests.
IFRS 4	Insurance Contracts	Insurance Business Law JICPA Guidelines for Tentative Treatments of Accounting and Audit for "Debt Securities Earmarked for Policy Reserve" in Insurance Companies			Please see Appendix 3 for detail		
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Accounting Standards for Impairment of Assets		Please see Appendix 3 for detail		Please see Appendix 3 for detail	
IAS 1	Presentation of Financial Statements	Business Enterprise Accounting Standards Regulations for Presentation and Disclosure of Consolidated Financial Statements		Please see Appendix 3 for detail		Please see Appendix 3 for detail	
IAS 2	Inventories	Business Enterprise Accounting Standards		Please see Appendix 3 for detail			
IAS 7	Cash Flow Statements	Accounting Standards for Preparing Consolidated Statements of Cash Flows					
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Accounting Standards for Consolidated Financial Statements Regulations for Presentation and Disclosure of Consolidated Financial Statements		IAS requires changes in accounting policies be reflected retrospectively, while Japanese GAAP requires them to be applied prospectively. Please see Appendix 3 for more detail.			Since the resulting effect from change in accounting policies shall be disclosed in the footnote under Japanese GAAP, the comparability is maintained.
IAS 10	Events After the Balance Sheet Date	Accounting Standards for Consolidated Financial Statements Regulations for Presentation and Disclosure of Consolidated Financial Statements					
IAS 11	Construction Contracts	Business Enterprise Accounting Standards			Please see Appendix 3 for detail		
IAS 12	Income Taxes	Accounting Standards for Income Taxes		Please see Appendix 3 for detail			
IAS 14	Segment Reporting	Disclosure Standards for Segment Information Regulations for Presentation and Disclosure of Consolidated Financial Statements				Please see Appendix 3 for detail	

Comparison between IAS/IFRS and Japanese GAAP

	IAS and IFRS Issued	List of Japanese GAAP	Scope	Presentation/Measurement	Recognition	Disclosure	Remarks
IAS 16	Property, Plant and Equipment	Business Enterprise Accounting Standards JICPA Guidelines for Treatments for Property, Plant and Equipment Regulations for Presentation and Disclosure of Consolidated Financial Statements		Please see Appendix 3 for detail			
IAS 17	Leases	Accounting Standards for Leases		Under Japanese GAAP, finance lease transactions without title transfer shall be capitalised by lessee in principle. In addition, they may be accounted for in the same manner under operating leases, if capitalised information is provided in the notes of consolidated financial statements. Please see Appendix 3 for more detail.			Even when finance leases without title transfers are accounted for in the same manner under operating leases, capitalised information is provided in the notes of consolidated financial statements. Change in Accounting Standards for Leases is currently under deliberation.
IAS 18	Revenue	Business Enterprise Accounting Standards			Please see Appendix 3 for detail		
IAS 19	Employee Benefits	Accounting Standards for Retirement Benefits		Under IAS, the corridor approach shall be applied to amortisation of unrecognised actuarial gains and losses, while actuarial gains and losses are strictly amortised under Japanese GAAP. Please see Appendix 3 for more details.	Please see Appendix 3 for detail		
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Business Enterprise Accounting Standards JICPA Guideline for Gains on Exchange Transaction and Government Grants when They Directly Reduce Carrying Amounts of Fixed Assets		Please see Appendix 3 for detail	Please see Appendix 3 for detail		
IAS 21	The Effects of Changes in Foreign Exchange Rates	Accounting Standards for Foreign Exchange Transactions		Please see Appendix 3 for detail		Please see Appendix 3 for detail	
IAS 23	Borrowing Costs	JICPA Guideline for Capitalization of Interest Expenses for Real Estate Developers					
IAS 24	Related Party Disclosures	JICPA Guideline for Treatment for Disclosure of Information of Related Party Transaction Regulations for Presentation and Disclosure of Consolidated Financial Statements	Please see Appendix 3 for detail			Please see Appendix 3 for detail	
IAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A					IAS 26 is not applicable to business enterprises.
IAS 27	Consolidated and Separate Financial Statements	Accounting Standards for Consolidated Financial Statements	Please see Appendix 3 for detail	Minority interest shall be presented in equity under IAS, while Japanese GAAP requires it to be presented as under an independent caption between liabilities and equity. Please see Appendix 3 for more details.	Please see Appendix 3 for detail		Minority interest is presented under the caption between liability and equity in accordance with Japanese GAAP, since minority interest is not considered as parent company's interest. Presentation of minority interest under Japanese GAAP is consistent with the current practical treatment in the US.
IAS 28	Investments in Associates	Accounting Standards for Consolidated Financial Statements					
IAS 29	Financial Reporting in Hyperinflationary Economies	N/A					Considering current economic situations of companies using Japanese accounting standard, there is no urgent need for adding this issue to our standard.
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	Banking Law					Banking Law requires extensive disclosure for banking industry including disclosure requirements.

Comparison between IAS/IFRS and Japanese GAAP

	IAS and IFRS Issued	List of Japanese GAAP	Scope	Presentation/Measurement	Recognition	Disclosure	Remarks
IAS 31	Interests in Joint Ventures	Accounting Standards for Consolidated Financial Statements Accounting Standards for Business Combinations		Please see Appendix 3 for detail			Proportional consolidation may be applied for interests in joint ventures as an alternative for equity method under IAS 31, while Japanese GAAP mandate equity method in all the case.
IAS 32	Financial Instruments: Disclosure and Presentation	Accounting Standards for Financial Instruments		Please see Appendix 3 for detail		Please see Appendix 3 for detail	
IAS 33	Earnings per Share	Accounting Standards for Computation of Earnings Per Share					
IAS 34	Interim Financial Reporting	Accounting Standards for Semi-annual Consolidated Financial Statements. Regulations for Presentation and Disclosure of Semi-annual Consolidated Financial Statements					
IAS 36	Impairment of Assets	Accounting Standards for Impairment of Assets		Please see Appendix 3 for detail	Under IAS, impairments shall be recognised when the carrying value of assets exceeds its recoverable amount, while Japanese GAAP requires assets to be impaired when the carrying value of assets exceeds its assessment of undiscounted cash flows. In addition, reversal of impairment loss shall be required under IAS, although such a reversal is prohibited under Japanese GAAP. Please see Appendix 3 for more details.		Under Japanese GAAP, measurement of fair value of long-term assets are required for impairment when undiscounted cash flows from long-term assets exceed their carrying amounts. This accounting treatment is consistent with US GAAP.
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Business Enterprise Accounting Standards Regulations for Presentation and Disclosure of Consolidated Financial Statements		Please see Appendix 3 for detail.	Please see Appendix 3 for detail.		
IAS 38	Intangible Assets	Business Enterprise Accounting Standards Accounting Standards for Research and Development Costs		Please see Appendix 3 for detail	Under IAS, expenditure under development phase shall be capitalised if certain criteria are met, while such costs shall be expensed when incurred all the time under Japanese GAAP. Please see Appendix 3 for more details.		Under Japanese GAAP, costs for research and development activities shall be expensed when incurred, since there is normally a high degree of uncertainty about the future benefits in the research and development stage. This accounting treatment is consistent with US GAAP.
IAS 39	Financial Instruments: Recognition and Measurement	Accounting Standards for Financial Instruments		Please see Appendix 3 for detail	Under IAS, financial assets shall be derecognised mainly based on risks and rewards approach, while such assets shall be derecognised based on financial component approach under Japanese GAAP. Please see Appendix 3 for more details.		Derecognition of financial instruments is thoroughly based on financial component approach under Japanese GAAP. This accounting treatment is consistent with US GAAP.
IAS 40	Investment Property	Accounting Standards for Impairment of Assets	Please see Appendix 3 for detail	Under IAS, investment property shall either be carried at cost or remeasured at fair value regularly, while lands and buildings shall be carried at cost, regardless of their form and nature under Japanese GAAP. Please see Appendix 3 for more detail.		Please see Appendix 3 for detail	Investment property shall not be revaluated under Japanese GAAP, mainly because it is practically difficult to obtain reliable fair value for lands and buildings, and the purpose of holding investment properties varies and is not clear in practice. This accounting treatment is consistent with US GAAP.
IAS 41	Agriculture	N/A					Very few companies using Japanese accounting standards are engaged in agricultural business, since agriculture is commonly engaged by individual farmers. Therefore, there seems no urgent needs for adding this issue to our standard.

Note:

Accounting Standards for Business Combinations shall be effective from the fiscal year beginning April 2006.

Accounting Standards for Impairment of Assets shall be formally effective from the fiscal year beginning April 2005; however, early adoption is permitted, and this has been already widely adopted by many companies.

Comparison between IAS/IFRS and Japanese GAAP

	Interpretations Issued	List of Japanese GAAP	Scope	Presentation/ Measurement	Recognition	Disclosure	Remarks
SIC 7	Introduction of the Euro	Accounting Standards for Foreign Exchange Transactions					This SIC only emphasises the strict application of IAS21 at introduction of Euro since it is considered significant issue in Europe. This issue has been dealt by general standards for foreign exchange transactions under Japanese GAAP.
SIC 10	Government Assistance – No Specific Relation to Operating Activities	Please see remarks for reference.					This SIC reconfirms the consistent application of IAS20 which prohibit government grants to be recognized directly in equity, even for government assistance which are aimed are provided to entities. Although specific provision is not provided for this issue under Japanese GAAP; this is commonly treated in the same manner of IFRS.
SIC 12	Consolidation – Special Purpose Entities	Accounting Standards for Consolidated Financial Statements					This SIC clarifies that SPEs shall be consolidated when these SPEs are under control, and illustrates the examples of relationship where control exists. Under Japanese GAAP, SPEs need to be consolidated if under control as well.
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Ventures	Accounting Standards for Business Combinations					This SIC addresses recognition of gains and losses from contributions of non-monetary assets to jointly controlled entities, and etc, if the exceptions described in the SIC do not apply. Under Japanese GAAP, no gain or loss shall be recognised upon such transactions, since it is considered that interests in assets are continued even upon such transactions.
SIC 15	Operating Leases – Incentives	Please see remarks for reference.					This SIC requires that all incentives of operating leases (i.e. reimbursement of relocation cost, and etc.) shall be recognised as an integral part of the net consideration agreed, and thus be recognised over the lease term. Under Japanese GAAP, accounting treatments for such incentives are not clearly state in the standard, and matching principle covers this issue.
SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	N/A					This SIC handles income tax treatments when fair value of revaluated non-depreciable assets recovered; however, revaluation of non-depreciable assets is not permitted under Japanese GAAP, and thus applicable guidance was not provided. This is consistent with US GAAP.
SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	Please see remarks for reference.					This SIC addresses that a change in tax status, in general, shall be recognised in profits or losses. This accounting treatment is generally consistent with that under Japanese GAAP.
SIC 27	Evaluating the Substance of Transactions in the Legal Form of a Lease	Please see remarks for reference.					This SIC confirms that a series of transactions that involve the legal form of a lease shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. Under Japanese GAAP, there is no specific guidance which specifically deals with this issue; however these transactions, such as sales and lease-back transactions are accounted for in the similar manner, and thus the resulting consequence will not differ significantly.
SIC 29	Disclosure – Service Concession Arrangements	Please see remarks for reference.					Under Japanese GAAP, there is no specific guidance which specifically deals with this issue; however, service concession arrangements are not frequently used by Japanese listed companies.
SIC 31	Revenue – Barter Transactions Involving Advertising Services	Please see remarks for reference.					This SIC specifically discusses revenue recognition issue for barter transactions involving advertising; however, under Japanese GAAP, comprehensive standard for revenue recognition is provided by Business Enterprise Accounting Standards.
SIC 32	Intangible Assets – Website Costs	Accounting Standards for Research and Development Costs and Software JICPA Practical Guidelines on Accounting Standards for Research, Development and Software Costs					This SIC specifically addresses internally developed website costs and reconfirms the application of IAS38 for this issue. Although specific application guidance of this issue is not provided under Japanese GAAP; general standard of software accounting is applied.
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Please see remarks for reference.					This Interpretation specifically addresses the accounting treatments for events which cause changes in existing decommissioning, restoration and similar liabilities. Please see IAS16 under Appendix 3 for detail.

Detailed Comparison between IAS/IFRS and Japanese GAAP

IAS/IFRS (Title)	Classifi cation	Item	IAS/IFRS	Japanese GAAP	Remarks
IFRS2 Share-based Payment	P R D	Measurement of compensation costs for share- based payments at grant date	Compensation costs for share- based payments shall be measured at fair value at grant date.	Compensation costs for share- based payments are measured at an amount equal to consideration received at grant date if any, and therefore, no expense are usually recognised at a time when stock options are granted to employees.	A draft standard dealing with this issue was exposed to the public in December 2004. Under the exposure draft, share-based payments shall be measured at fair value at grant date.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IFRS3 Business Combinations	R	Accounting treatments for business combination (except for JVs and transactions under common control j	Application of the purchase method is required in all situations.	Application of the purchase method is required, in principle; however, the pooling-of-interest method shall be required as an exception, only when continuity of shareholders' interests in merging entities is assumed by the following all three principle criteria: a) Consideration paid shall be formed by stock with voting rights, b) Voting rights of each merging entities' shareholders in a merged entity will be almost equal (i.e. approximately 50:50 in the case that two companies merge into one company), and c) No fact or provision indicates that the merged entity is controlled other than by voting rights (criteria for b) and c) are commonly referred as "mergers of equals")	Under Japanese GAAP, application of the pooling-of-interest method is required under such exceptionally limited situations, since purchase method shall be used for the business combinations where one entity acquires interest in other entities and controls them, which most frequently occur. However, there have been limited situations where no party obtains control over the other upon business combinations and thus shareholders' interests in entities are not discontinued thereon. In such a case, it is considered that the pooling-of-interest method more reflects the economic substances and avoids an arbitrary treatment to determine which entity acquires the others. In addition, in order to avoid the possibility that the pooling-of-interest method could be used with intent of abuse, clear criteria have been set up by which continuity of shareholders' interests in merging entities can be assumed, with detail guidance. With these strict criteria, it is expected that, the pooling-of-interest method will only be applied in exceptional cases. (Please see Note 3 in final page for reference.)

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Accounting treatments for goodwill subsequent to initial recognition	Goodwill is tested for impairment at least annually, with additional requirements where changes in circumstances indicate that it might be impaired.	Goodwill is amortised on a straight line basis within 20 years. In addition, goodwill is tested for impairment, where changes in circumstances indicate that it might be impaired.	<p>Under Japanese GAAP, acquired goodwill by business combination is subject to amortization and impairment test because of the following reasons;</p> <p>a) Considering the nature of goodwill, which generates future economic benefit and will be realized by passage of time, it is considered that this should be amortised under the matching principle,</p> <p>b) Unless amortised, acquired goodwill might be replaced with internally generated goodwill; that cannot be recognised as an asset, under both IFRS and Japanese GAAP,</p> <p>c) Even if the useful life of acquired goodwill may not be predicted or the pattern in which goodwill diminishes may not be known, it is considered that systematic amortization over certain period will achieve representation faithfulness, rather than non-amortization approach, to reflect depreciation in value of acquired goodwill through business competition,</p> <p>d) Although there is an argument that it would better reflect the economic substances, if acquired goodwill are divided into two portions (i.e. the portion whose value will be depreciated by passage of time, and that will not be depreciated) and these are accounted for differently; however, identifying these two parts in exact manner is considered to be quite difficult, and therefore it seems more appropriate to amortize the whole portion of acquired goodwill, since such goodwill is, at least, to be measured as a residual values.</p> <p>e) Please see Note 3 for reference.)</p>

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P R	Accounting for negative goodwill	Excess of acquires' interests in the net fair values of acquirees' identifiable assets, liabilities, and contingent considerations over costs ("negative goodwill") is recognised immediately in profit.	Negative goodwill is recognised as a liability and amortised on a straight line basis within 20 years.	Under Japanese GAAP, negative goodwill shall be amortised within 20 years using a straight line method based on economic substances of each acquisition, since it is difficult to assume that negative goodwill has been generated in a consequence of inappropriate valuation of non-current assets (with no observable fair values), nor as a result of bargain purchase of the acquired entity. Rather, it'd be more appropriate to consider that the negative goodwill arises as a result of adjustment of consideration paid for acquired entity as a whole. As such, under Japanese GAAP, amortization is required for both positive and negative goodwill equally. (Please see Note 3 for reference.)
	P	Valuation of assets and liabilities of the acquiree at acquisition date	Assets and liabilities of the acquirees, except for non-current assets classified, as held-for sale shall be measured at fair value at acquisition date.	Fair value measurement for all assets and liabilities of the acquirees or proportional fair value measurement for parent entities' interest in acquirees shall be required. Under proportional fair value measurement approach, assets and liabilities attributable to minority interest shall be measured at carrying amount of acquired entities.	The use of proportional fair value measurement under Japanese GAAP is consistent with that under current US GAAP.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IFRS4 Insurance Contracts	R	Recognition as a liability for catastrophe provisions	Catastrophe provisions are not permitted to be recognised as liabilities.	Catastrophe provisions are required to be recognised as liabilities under Insurance Business Law.	In Japan, catastrophe provisions are required to be maintained as liabilities from a prudential viewpoint by insurance companies to fund the payment accruing from the risks not covered by normal technical provisions.
	R	Valuation of certain debt securities held by insurance companies for proper matching of assets and liabilities	N/A	Debt securities earmarked for policy reserve as a category of asset backed insurance liabilities are allowed to be reported at amortised cost on certain conditions.	In order to appropriately adjust a mismatch in valuation method of insurance liabilities and their related assets, this category has been introduced for insurance companies in Japan; however, the application of this valuation method is subject to strict conditions.
IFRS5 Non-current assets Held for Sale and Discontinued Operations	P	Whether to classify non-current assets as held for sale	Non-current assets shall be classified as held for sale if their carrying amounts will be recovered principally through sale transactions rather than through continuing uses.	Non-current assets are not classified as a category of held for sale even if management intends to sell them.	Please see remarks of "Measurement of non-current assets classified as held for sale".
	P	Measurement of non-current assets classified as held for sale	Non-current assets classified as held for sale shall be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets shall be ceased, when classified as held for sale.	Impairment test is required for non-current assets to be sold; however, it is measured at fair value less costs to sell, if its value is declined. Depreciation will be continued, regardless of plans to sell.	Under Japanese GAAP, non-current assets to be sold need to be tested for impairment, although it is not required to measure such non-current assets at the lower of carrying amount and fair value less costs to sell. Therefore, the resulting consequence will not significantly differ. (Please see Note 3 for reference.)

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P D	Presentation and disclosure of the gains and losses from discontinued operation	Assets classified as held for sale shall be presented separately in the balance sheet, and the results of operations are separately presented as discontinued operations in the income statement with comparative prior years' numbers restated in consistent with current year's reclassification.	Gains and losses on disposal of non-current assets are ordinarily recognised as separate line items of extraordinary gains or losses, and prior years' numbers are not to be changed.	It is under discussion by ASBJ whether to set up disclosure requirements of profit or loss of businesses disposed of in the notes of consolidated financial statements in the current fiscal year.
IAS1 Presentation of Financial Statements	P	Reclassification of comparative amounts, where presentations or classifications will be changed, subsequently	Comparative amounts in prior years' financial statements shall be reclassified, according to current year's presentation or classification.	Comparative amounts in prior years' consolidated financial statements are not reclassified, and presentations or classifications are changed prospectively. Instead, the nature, resulting effect, and reason of any reclassification are disclosed in the notes of the consolidated financial statements.	Under Japanese GAAP, the nature, resulting effect, and reason of any reclassification shall be disclosed to maintain the comparability of consolidated financial information.
	P	Whether to classify deferred tax assets and liabilities as current or non-current	All deferred tax assets and liabilities shall be classified as non-current.	Deferred tax assets and liabilities shall be classified as current or non-current based on the classification of the related assets or liabilities for financial reporting.	Deferred tax assets and liabilities are to be realized when related temporary differences are realized by future reversals of such temporary differences. In this consequence, temporary differences arising from current assets and liabilities are expected to be realized within a year, and thus related deferred tax assets and liabilities are presented as current. In addition, this treatment of Japanese GAAP is consistent with that under US GAAP.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Profits or losses attributable to minority interest	Profits or losses attributable to minority interest shall be presented in the income statement as an allocation of profit or loss for the period.	Profits or losses attributable to minority interest shall be presented in the consolidated income statement as a component of profit or loss.	Under Japanese GAAP, profits or losses attributable to minority interest are disclosed in a different manner from those under IAS; however, the same information is provided under both standards.
	P	Extraordinary items in the income statement	Income statements have no caption of extraordinary items, and therefore, no extraordinary information shall be presented or disclosed.	Following items shall be presented as extraordinary items in the consolidated income statements: a) infrequent gains or losses b) prior periods' adjustments	Under Japanese GAAP, in addition to profit or loss that is presented under IAS, ordinary profit or loss (i.e. profit before extraordinary items) is presented in the consolidated income statement as well.
	P	Statement of changes in equity	Following items shall be presented in the statement of changes in equity; a) Profit or loss for the period, b) Items to be recognised directly in equity, c) Total recognised income and expense for the period (i.e. sum of a) and b)), and d) Any effect of changes in accounting policies and corrections of errors.	Statement of changes in equity is not prepared under Japanese GAAP. However, instead of this, statement of changes in capital surplus and retained earnings, where most information of changes in equity during the period is shown, is presented.	Statement of changes in equity under IAS and statement of changes in capital surplus and retained earnings under Japanese GAAP are different only in presentation of changes in share capital, which is commonly provided by supplementary schedule to be audited in Japanese companies' annual reports. In addition, it is expected that statement of changes in equity will be introduced to Japanese GAAP in the upcoming future.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Directors' bonuses	Directors' bonuses shall be charged to expenses in the income statements.	Directors' bonuses shall be charged to expenses in the consolidated income statement in principle. However it is permitted to be directly deducted from retained earnings as an appropriation in the statement of changes in capital surplus and retained earnings.	Under Japanese GAAP, there exist alternative treatments for directors' bonuses; however, the new accounting standard, where such bonuses will be charged to expenses only in consolidated income statements, is expected to be introduced in the near future.
	D	Dividends declared subsequent to the balance sheet date	Dividends declared subsequent to the balance sheet date but before the authorization of financial statements for issue are not recognised as a liability on the balance sheet but disclosed in the notes of financial statements.	Dividends declared subsequent to the balance sheet date but before the authorization of financial statements for issue are not recognised as a liability on the consolidated balance sheet, but such dividends are presented as a deduction from retained earnings in the non-consolidated statement of changes in capital surplus and retained earnings.	Under Japanese GAAP, as mentioned in "Statement of changes in equity", statement of changes in capital surplus and retained earnings is presented. This statement includes a presentation of dividends declared subsequent to the balance sheet date but before the authorization of financial statements for issue. Accordingly, same information as required under IAS is currently disclosed. Whether to set up this disclosure requirement is currently under consideration by ASBJ, during the course of deliberation to introduce statements of changes in equity (Please see remarks of "Statement of changes in equity" for reference).

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IAS2 Inventories	P	Cost formulas	The cost of ordinary inventories shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula; last-in, first-out (LIFO) formula is not permitted.	The cost of inventories will be assigned by using the formula that best reflect the economic substances, including FIFO, weighted average cost formula, and LIFO.	Under Japanese GAAP, few companies actually adopt LIFO, since this formula assumes that inventories purchased or produced last are sold first. LIFO is also allowed under US GAAP.
	P	Measurement of inventories	Inventories shall be measured at the lower of cost and net realizable value. In addition, the amount of the write-down shall be reversed, when there is a clear evidence of an increase in net realizable value because of change in economic circumstances.	Inventories shall be measured at cost or at the lower of cost and net realizable value. In addition, the amount of the write-down will or will not be reversed, even when there is a clear evidence of an increase in net realizable value. However, these policies need to be applied consistently.	Under Japanese GAAP, inventories shall be written down to net realizable value if the net realizable values of inventories fall significantly below costs, even under the cost method. Due to this requirement, the resulting consequence from the difference in these standards will not be significant. In addition, reversal of write-down is not common practice under Japanese GAAP.
IAS8 Accounting Policies, Changes in Accounting Estimates and Errors	P	Changes in accounting policies voluntarily	In principle, when an entity changes an accounting policy voluntarily, the opening balance of relevant equity items for the earliest prior period presented and the other comparative amounts disclosed for each prior period shall be presented as if the new accounting policy had always been applied (i.e. prior period financial statements are restated).	When an entity changes an accounting policy voluntarily, it is presented prospectively (i.e. prior years' consolidated financial statements are not to be restated), but rather the resulting effects by the changes in accounting policy shall be disclosed in the notes of consolidated financial statements.	Under Japanese GAAP, the resulting effect of the changes in accounting policy shall be disclosed in the notes to consolidated financial statements to maintain the comparability of financial information.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Material prior period errors	Material prior period errors, in general, are corrected retrospectively by restating the comparative financial statements.	Material prior period errors are corrected through profits or losses as separate line items of extraordinary gains or losses in current year's consolidated income statements.	The separate presentation for material prior period errors enables readers of financial statements to easily analyse such effects, and therefore comparability of consolidated financial statements is maintained. In addition, under the Securities and Exchange Law, consolidated financial statements are to be corrected and resubmitted when errors are considered to be so material that consolidated financial statements are deemed to be misleading.
IAS11 Construction Contracts	R	Recognition of contract revenue and expenses	When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage of completion method"), unless losses are expected in total construction contracts.	Contract revenue and costs associated with the short-term contracts are recognised when constructions are to be completed ("completed construction method"). Under the long-term contracts, both percentage of completion method and completed construction method are permitted.	It is recognised that percentage of completion method is broadly used for large-sized and long-term contracts by Japanese listed companies, and therefore the resulting consequences will not significantly differ.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IAS12 Income Taxes	P	Tax treatments for inter-company transfers of assets	Deferred tax assets and liabilities related to inter-company profits or losses shall be measured or re-measured at purchasers' tax rates, and such deferred tax assets shall be reviewed for recoverability at each balance sheet date.	Deferred tax assets and liabilities related to inter-company profits or losses shall be initially measured at the sellers' tax rates, and deferred until transferred assets are sold to unrelated third parties, without any need for adjustment of tax rates and reassessment of recoverability in computing the deferred tax assets at the balance sheet date.	It is understood that income taxes for profits or losses on inter-company transactions are deferred until transferred assets will be sold to unrelated third parties, since income taxes have already been paid (or reduced) at seller's jurisdictions. This is consistent with the current US GAAP treatment.
IAS14 Segment Reporting	D	Disclosure of segment liabilities	Segment liabilities shall be disclosed for each reportable segment.	Segment liabilities are not required to be disclosed for each reportable segment.	This disclosure requirement under Japanese GAAP is consistent with US GAAP.
	D	Method of segment identification	Primary and secondary segment shall be identified by considering which business or geographical locations greater affects the entity's risks and returns, and segment reporting format differs by the categories.	Business and geographical segment information shall be provided by each format in any situation.	Both business segment and geographical segment are identified as reportable segment, both under IAS and Japanese GAAP. Accordingly, even though primary and secondary segment is not identified, almost the same information is to be provided in the segment reporting under Japanese GAAP.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	D	Determination of reportable business segments	<p>Business segments are distinguishable components of entities, which are engaged in providing individual products or services or a group of related products or services, and are subject to risks and returns individually.</p> <p>In determining reportable segments, two or more internally reported business segments, which are substantially similar, may be combined.</p>	Business segments shall be recognised based upon lines of products or services which entities provide. Management shall identify business segments, and determine reportable those by aggregating any lines of products or services so that diversities in business will be best reflected.	Under Japanese GAAP, organisational units for which information is internally reported to the management do not always have priority to determine reportable business segments. In this sense, the procedures of such determination are not identical; however, the underlying concepts of procedures under both GAAP are not significantly different.
IAS16 Property, Plant and Equipment	P	Elements of costs	Estimated costs for asset retirement obligation, such as dismantling and removing costs, and site restoration costs shall be capitalized as part of book values of property, plant and equipment, at initial recognition.	Such asset retirement obligation costs are not commonly capitalized at initial measurement.	Under Japanese GAAP, liabilities for asset retirement obligation are to be provided when it is probable that expense or loss will incur as a result of the obligation, and the amount of expense or loss can be reasonably estimated.
	P	Change in the depreciation method	Change in the depreciation method shall be accounted for as a change in accounting estimate.	Change in the depreciation method shall be accounted for as a change in accounting policy.	Since changes in an accounting policy are accounted for prospectively under Japanese GAAP, the resulting consequences of change in the depreciation method do not significantly differ.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Property, plant, and equipment acquired in exchange for non-monetary assets	Property, plant, and equipment acquired in exchange for non-monetary assets shall be measured based on the carrying amount of the relinquished non-monetary assets, if either of the following conditions apply: a) If the transaction lacks commercial substance, or b) If the fair value of neither the asset received or the asset given up is reliably measurable.	Property, plant, and equipment acquired in exchange for non-monetary assets shall be measured based on the carrying amounts of the relinquished assets, under the similar assets exchange transactions.	Under Japanese GAAP, property, plant, and equipment acquired in exchange for similar assets are considered as seamless investments, and as such any gains or losses will not be recognised as a result of transactions.
	P	Revaluation model	If fair values can be measured reliably when revaluation model is chosen, property, plant, and equipment shall be revaluated regularly.	Revaluation of such non-monetary assets is not permitted.	Under Japanese GAAP, revaluation of property, plant and equipment is not permitted, which is consistent with US GAAP.
IAS17 Leases	P	Lessees' accounting treatments; Finance leases without title transfer	Finance leases shall be capitalised by lessees, regardless of title transfers.	Finance leases without title transfers shall be capitalized in principle; however, such finance leases are permitted to be accounted for in the same manner under operating leases with required disclosure in the notes of consolidated financial statements.	Under Japanese GAAP, finance leases shall be classified into two categories; i.e. finance leases with title transfers and finance leases without title transfers, and finance leases with title transfers shall be capitalized in all cases. In addition, where finance leases without title transfers are accounted for in the same manner under operating leases, disclosure in the notes of consolidated balance sheets shall illustrate the alternative accounting results as if finance leases were capitalized on the consolidated balance sheets. Change in this standard is currently under deliberation.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Lessors' accounting treatments	<p>Finance leases shall generally be accounted for in the manner where assets held lease is presented as a receivable at an amount equal to the net investments in the lease.</p> <p>Finance leases by manufacture lessors shall recognise selling profit or loss in the period, and finance income is separated from selling profit or loss over the lease term.</p>	Finance leases, including manufacture lessors shall generally be accounted for in the manner where assets held is presented as a receivable at an amount equal to the net investments in the lease; however, such finance leases without title transfers are permitted to be accounted for in the same manner under operating leases with required disclosure in notes of consolidated financial statements.	The disclosure illustrates the alternative accounting results as if finance leases were accounted for under principle basis on the consolidated financial statements. Change in this standard is currently under deliberation.
IAS18 Revenue	R	Revenue recognition for instalment sales contracts	Revenue is recognised at the sales dates, under instalment sales contracts.	Revenue is recognised at sales dates, in principle. In addition, instalment method is permitted, where cash paid by buyers shall be apportioned into cost recovered and profit, so that revenue shall be recognised at each cash receipt (or by cash receipt schedule).	It is considered that under instalment sales contracts, cash receipts usually extend over relatively long period of time, and thus recoverability of receivables is uncertain in many cases, and therefore it is prudent to have the instalment method. This accounting treatment under Japanese GAAP is consistent with US GAAP.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IAS19 Employee Benefits	P R	Defined benefits scheme	<p>Actuarial gains and losses shall be recognised as income or expense when incurred or on a systematic method, if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period are in excess of certain level (this method is commonly referred as “Corridor approach”). Past service costs shall be amortised on a straight-line method over the average period until rights to receive the benefits are vested. If the benefits are already vested, such costs shall be recognised immediately.</p> <p>In determining obligations and costs, benefits shall be attributed to periods of services under the plan’s benefit formula. However, if employees’ service in later years will lead to a materially higher level of benefit than in earlier years, the benefits should be attributed on a straight-line basis.</p> <p>The rate used to discount benefit obligations shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds.</p>	<p>Actuarial gains and losses shall be amortised on a systematic method within the period of the average remaining working lives of the employees or may be expensed when incurred. Actuarial assumptions need not be revised, if changes in these assumptions are limited and impact is deemed to be insignificant. Past service costs shall also be amortised on a systematic method within the average remaining service periods (usually equals to within the period until rights to receive the benefits are vested). Such costs may be expensed when incurred.</p> <p>In determining the service cost, benefits shall be attributed on a straight-line basis. If this is unreasonable, benefits shall be attributed to periods of service under the plan’s benefit formula.</p> <p>The rate used to discount benefit obligations shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds. Fluctuation of market yield during reasonable periods may be considered in this determination.</p>	<p>Under Japanese GAAP, the corridor approach is not permitted and actuarial gains or losses, and past service costs are strictly amortised. Instead, actuarial assumptions need not be revised, if changes in these assumptions are limited. This is because pension liability is computed based on various assumptions over a long period of time, and thus it is considered that slight and temporary change in each assumption need not be reflected in every computation. However, this materiality threshold is understood strictly, and these reviews are performed every year in practice by most listed companies</p> <p>Benefits are commonly attributed to periods of service under the plan’s benefit formula in Japan, since it is common practice for Japanese companies that employees’ services in later years will lead to higher level of benefits than in earlier years, and therefore the resulting accounting treatment under Japanese GAAP is consistent with IAS.</p> <p>The definition of rate used for computation of benefit obligation may differ slightly between both GAAP; however, the rates used are disclosed in the notes of consolidated financial statements under Japanese GAAP, which enables users of consolidated financial statements to easily analyze the effect of such assumptions.</p>

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IAS20 Accounting for Government Grants and Disclosure of Government Assistance	P R	Recognition and presentation of grants related to assets	Government grants related to assets shall be recognised as income over the periods to match with the related costs and presented either by deferred income or deducting from carrying amounts of assets.	Government grants related to assets shall be recognised as income over the periods to match with related costs by deducting from carrying amounts of related assets at initial recognition, or recognised as income when received.	Under Japanese GAAP, government grants are not practically recognised as income when received, rather they are deducted from related assets so that these grants will be apportioned in consolidated income statements over the periods in consistent with related costs. Therefore accounting practice is not different from that under IAS.
IAS21 The Effects of Changes in Foreign Exchange Rates	P	Translation of goodwill	Goodwill shall be translated by using current rate at each balance sheet date.	Goodwill shall be translated by using the historical rate at the time of initial consolidation.	Under Japanese GAAP, goodwill is translated using the historical rate at the time of initial consolidation, since goodwill is thoroughly treated as a part of parent company's asset at consolidation, which leads to the use of historical rate.
	D	Reconciliation of translation adjustments during the fiscal period	Reconciliation of net exchange differences classified in a separate component of equity ("translation adjustments") during fiscal period shall be disclosed in the notes of financial statements.	Such disclosure of reconciliation is not required in the notes of consolidated financial statements.	Under Japanese GAAP, change in translation adjustments during fiscal period is not required; however, users of consolidated financial statements will recognise its net change during the fiscal period because it is presented as separate line items in consolidated financial statements.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Translations into presentation currency	<p>Transactions of foreign operations are recorded by the functional currency, which is primary currency under the entities' economic environments.</p> <p>Assets and liabilities of foreign entities shall be translated from the functional currency into the presentation currency at the closing rate of balance sheet date, and income and expenses shall be translated at exchange rates of the transaction dates, including translated at the average rates during the fiscal periods if appropriate.</p>	<p>Transactions of foreign entities are recorded by the currency, which is legally formal in each country; however, if it is considered reasonable that transactions are recorded by other currencies, which are most frequently used in the entities' operations, these currencies can be used, instead.</p> <p>Assets and liabilities of foreign entities shall be translated from the local currency into presentation currency (mostly JPY) at the closing rate of the balance sheet date, and income and expenses of such entities shall be translated at the average rates during the fiscal periods, or at the closing rate of the balance sheet dates.</p>	Although definition of functional currency is not clearly stated under Japanese GAAP, the concept of functional currency is implied under Japanese GAAP, and practical treatments of foreign currency translation will not be significantly different.
IAS24 Related Party Disclosures	D	Compensation for key management personnel	<p>Key management personnel compensation shall be disclosed in total, and by the following categories:</p> <p>a) short-term employee benefits b) post-employment benefits c) other long-term benefits d) termination benefits e) share-based payment</p>	Disclosure of key management personnel compensation is not required in the notes of consolidated financial statements.	Directors' compensation is commonly disclosed under the other section in annual reports by Japanese companies.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	S	Scope of related party transactions disclosure	Disclosure of related party transactions is required for transactions between any related parties, and not limited to the transactions between reporting enterprises and its related parties.	Disclosure of related party transactions is required for transactions between reporting entity and its related parties.	Change in scope of related party transactions is planned to be discussed.
IAS27 Consolidated and Separate Financial Statements	S	Scope of consolidation	Scope of consolidation is determined based on control, including special purpose entities (SPEs). In assessing the control, the existence and effect of potential voting rights are considered.	Scope of consolidation is determined based on control. In assessing the control, the existence and effect of potential voting rights are not considered. SPEs are also consolidated based on the control concept, except certain SPEs, established solely for the purpose of transfer of financial assets (i.e. securitizations and etc.), which are generally considered as pass-through entities.	Under Japanese GAAP, in assessing the control, whether decision making body is under control in its substance shall be assessed, and majority ownership of shareholders' voting rights are placed as one of the indication that such body is under control. In addition, even when majority voting rights are not owned, control-indicating factors such as the components of board of directors and important financing and operating contracts, shall be considered further, and thus entities are required to be consolidated when decision making body is under control, even without majority voting rights. However, anticipated effect of potential voting rights are not considered in assessing the control, since such potential rights do not legally affect decision making process and results, until they are actually exercised.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	R	Uniformity in accounting policies, especially for accounting standards applied to foreign subsidiaries	Uniform accounting policies are required for similar transactions and events under similar circumstances.	Uniform accounting policies are required for similar transactions and events under similar circumstances, in principle; however it is permitted to use financial statements prepared in accordance with local GAAP of foreign subsidiaries, unless the difference in accounting policies will lead unreasonable consequence.	Under Japanese GAAP, foreign subsidiaries' financial statements may be consolidated, whose accounting policies are not identical to that of the parent company; however, this is permitted only when the difference in accounting policies will not lead to reasonable consequence. Whether to require uniform accounting policies for foreign subsidiaries in all cases is planned to be discussed.
	P	Presentation of minority interest	Minority interest shall be presented within equity on the consolidated balance sheet.	Minority interest shall be presented between liabilities and shareholders' equity on the consolidated balance sheet.	Under Japanese GAAP minority interest is considered to be distinct from parent's interest, since parent's interest can control the interest of subsidiaries but minority interest cannot. Based upon the objective of consolidated financial statements that is to present the financial position and financial result of parent companies, the equity section shows parent's interest only and hence minority interest is not presented within equity section. In addition, considering the nature of a minority interest that does not have obligation to repay, it does not qualify as a definition of liabilities. Therefore, minority interest will be best presented between liabilities and shareholders' equity. The classification under Japanese GAAP is consistent with current practical treatment in the US.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IAS31 Interests in Joint Ventures	P	Proportionate consolidation	Proportionate consolidation or equity method accounting shall be used for interests in joint ventures, in principle.	Proportionate consolidation is not permitted, as an accounting method for interests in joint ventures, and equity method is required in all situations.	Under Japanese GAAP, proportionate consolidation method is not permitted; however, equity method is also permitted in IAS. This accounting treatment that does not permit proportionate consolidation method is consistent with US GAAP. (Please see Note 3 for reference.)
IAS32 Financial Instruments: Disclosures and Presentation	P	Presentation of warrants	Warrants shall be presented in equity.	Warrants shall be presented in liabilities.	Under Japanese GAAP, warrants shall be presented separately if material in the consolidated financial statements or disclosed in the notes of consolidated financial statements. In addition, presentation of warrants as liabilities is currently being discussed by ASBJ.
	P	Issuers' accounting treatments for convertible bonds	Convertible bonds shall be separated into two parts (i.e. debt instrument and warrants), and therefore they shall be separately presented in the financial statements.	Convertible bonds shall either be separately presented by two parts or presented in aggregate.	Under Japanese GAAP, aggregate presentation is permitted, because debt instrument portions need to be converted into equity upon exercise of warrants, and therefore it is not possible that redemption of debt instrument and exercise of warrants occur simultaneously.
	P	Costs for issuing additional shares	Costs for issuing additional shares shall be deducted from equity.	Costs for issuing additional shares shall either be expensed immediately when incurred or amortised over relevant periods.	Costs for issuing additional shares are not usually large amounts, and therefore this difference will not be significant in its consequence.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Classification of preference shares	Issuers' financial instruments shall be classified as financial liabilities or equity in accordance with substances of contractual arrangements and their definitions.	Issuers' financial instruments are determined as liabilities or equities, in accordance with their legal forms, and therefore preference shares are usually included in equity section.	Under Japanese GAAP, mandatory redeemable shares could be classified as equity, while they shall be classified as liabilities under IFRS; however, these shares are not frequently issued in Japan, and therefore the resulting differences will not be significant in practice.
	D	Disclosure of fair value	Fair values of each class of financial assets and liabilities shall be disclosed in comparative with their carrying amounts, except for financial assets and liabilities which are measured at cost basis, and whose fair values of discretionary participation features are not reliable.	Fair values of derivatives and investments in securities shall be disclosed in comparative with their carrying amounts.	Although the scope of fair value requirements is not identical under IAS and Japanese GAAP, items to be disclosed will not differ in the consequence, since financial assets other than derivatives and investments in securities (i.e. loans, receivables, and etc.) are usually carried at cost basis, and as such, the fair value information will not be also disclosed under IAS.
IAS36 Impairment of Assets	R	Recognition and measurement of impairment loss	When the recoverable amounts of assets within the scope of the standard are less than carrying amounts, the difference between the carrying amounts and the recoverable amounts are recognised as impairment loss.	When amounts of undiscounted future cash flows of long-lived assets are less than their carrying amounts, the difference between the carrying amounts and the recoverable amounts are recognised as impairment losses.	Under Japanese GAAP, impairments are required when carrying amounts of investments in long-lived assets are not recoverable, and therefore the first step requires comparing undiscounted future cash flows of such assets with their carrying amount. This accounting treatment is consistent with that under US GAAP. (Please see Note 3 for reference.)

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P	Units for goodwill impairment tests	Goodwill shall be allocated to cash-generating units (“CGUs”) or group of CGUs at acquisition. Such allocated goodwill shall be tested for impairment individually.	<p>Goodwill shall be allocated to reporting units in principle, the level at which performance of entities’ operations are reviewed internally. Such goodwill shall be tested for impairment at both the reporting unit level, and higher levels where grouping of such reporting units deemed appropriate.</p> <p>Goodwill may be allocated to CGU level, only when such allocation can be made rationally, and such allocated goodwill shall be tested for impairment at individual CGUs.</p>	The level of units to be tested for goodwill impairments are not identical under IAS and Japanese GAAP; however, goodwill shall be tested for impairments whenever there are indications that the units may be impaired under both standards, and the resulting consequence will not be significantly different.
	P R	Reversal of impairment loss	Reversal of impairment loss recognised in prior periods for assets other than goodwill is required; if there has been a change in the estimate of asset recoverable amounts due to the increase in service potential.	Reversal of impairment loss recognised in prior periods is prohibited.	Under Japanese GAAP, reversal of impairment loss is prohibited, since it is considered that impairment is recognised when situations indicate clear evidence of impairment. This accounting treatment is consistent with that under US GAAP. (Please see Note 3 for reference.)

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IAS37 Provisions, Contingent Liabilities and Contingent Assets	R	Recognition and measurement of provisions	<p>A provision shall be recognised when,</p> <p>a) An entity has a present obligation (legal or constructive) as a result of a past event;</p> <p>b) It is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and</p> <p>c) A reliable estimate can be made of the amount of the obligation.</p> <p>In addition to the best estimate of the expenditure to settle the present obligation, there are measurement provisions in relation to the estimation using the liability's 'expected value' and expectation to be reimbursed by another party.</p>	<p>A provision shall be recognised when</p> <p>a) It is probable that expense or loss will be incurred as a result of past transactions or events, and</p> <p>b) A reliable estimate can be reasonably made.</p> <p>A provision shall be measured at best estimate of an amount that is attributable to the current period and probable that expense or loss will be incurred due to past transactions or events.</p>	<p>Although the definition of provisions under IFRS and Japanese GAAP may differ, the resulting differences are normally not significant, in practice, since provisions are to be recognised mainly when losing economic benefit is probable and estimation can be reliably made, under both standards. Also provisions recognised under both standards are principally measured on a best estimate basis.</p>
	P	Provision for restructuring	<p>A provision for restructuring costs is recognised when an entity has detailed formal plan and raised a valid expectation to parties who will be affected.</p>	<p>There is no specific standard for restructuring provision; however, the provision is set up under the general recognition and measurement guidance, referred above.</p>	<p>There is no explicit guidance on provision for restructuring under Japanese GAAP; however, considering the common situation that reliable estimate for restructuring costs are usually made when formal plan is announced, the resulting consequence will not be significantly different from IAS.</p>

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
IAS38 Intangible Assets	R	Costs incurred under the development phase	Intangible assets arising from development phase shall be recognised when all the criteria under the standard are met.	Costs incurred under development phase shall be expensed when incurred.	Under Japanese GAAP, costs under development phase shall be expensed when incurred in any case, since there is normally a high degree of uncertainty about the future benefits in the research and development stage. This accounting treatment is consistent with US GAAP; however, since the criteria under IAS are strict, the resulting consequence will not be significantly different.
	P	Revaluation of intangible assets	Intangible assets shall be measured subsequent to the initial recognition, by either cost method or fair value method.	Intangible assets shall be measured subsequent to the initial recognition, at cost basis, and fair value method is prohibited.	Under Japanese GAAP, such regular revaluation is prohibited, which is consistent with that under US GAAP.
IAS39 Financial Instruments: Recognition and Measurement	P	Bifurcation of embedded derivatives	Embedded derivatives shall be separated from the host contracts and accounted for as derivatives, if a) The economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, b) Separated instruments would meet the definition of derivatives, and c) The hybrid instruments are not measured at fair value with changes in profits or losses.	Embedded derivatives, except for equity-linked derivatives (please refer to presentation of warrant under IAS32) shall be separated from the host contract and accounted for as a derivative, if a) Embedded derivatives may result in the loss of the principal amount of related financial assets or liabilities, b) Separated instruments would meet the definition of derivatives, and c) The hybrid instruments are not measured at fair value with changes in profits or losses.	Although the terms of condition for bifurcation are different in criteria a) between IFRS and Japanese GAAP, Japanese GAAP seems to be more prudent, and there is not significant difference in its consequence.

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	R	Derecognition of financial assets	Financial assets shall be derecognised mainly based on risk-and-reward approach, and financial component approach, where legal isolation is not always required.	Financial assets shall be derecognised based on financial component approach, where legal isolation is always required.	Under Japanese GAAP, financial assets shall be derecognised under financial component approach, which is conceptually consistent with US GAAP.
	R	Amortization method	<p>After initial recognition, certain loans and receivables, and held-to-maturity investments shall be measured at amortised cost using the effective interest method.</p> <p>All financial liabilities shall be measured at amortised cost using the effective interest method, in principle.</p>	<p>After initial recognition, certain loans and receivables, and held-to-maturity securities shall be measured at amortised cost using the effective interest method, in principle. The straight-line method is permitted, if applied consistently.</p> <p>Straight bonds issued with premium or discount shall be measured at amortised cost using the straight line method, and shall be presented at nominal amounts on the consolidated balance sheets, with separate presentation of amortised premiums or discounts.</p>	<p>Certain assets measured at amortised costs will not significantly differ between both standards, since interest rates have been relatively stable at low level in Japan, and such assets are not likely to be purchased with deep discounts or large premium at primary or secondary markets.</p> <p>Under Japanese GAAP, due to a constraint of legal requirement, straight bonds issued shall be measured and presented by issuers in a different manner than that under IAS; however, the resulting differences will not be significant, since it is not usual that corporate bonds are issued with deep discounts or large premiums.</p>

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	P R	Hedge accounting method	<p>Under fair value hedges, both hedged items and hedging instruments shall be measured at fair value with resulting gains and losses recognised in income statements.</p> <p>Under cash flow hedges, effective portion of hedging instruments shall be recognised directly in equity through the statement of changes in equity, and hedged items shall not be treated specifically.</p> <p>In either hedge, derivatives, except under portfolio hedges, shall be recognised individually in the financial statements.</p>	<p>Under both fair value hedges and cash flow hedges, hedging instruments shall be measured at fair value with resulting gains or losses recognised in the consolidated balance sheets, as assets or liabilities, in principle (commonly referred as “deferral method”). Ineffective portion of hedging instruments under this deferral method shall either be recognised in profits or losses, or deferred until as assets or liabilities as long as hedging relationship is considered as effective in aggregate.</p> <p>In either hedge, derivatives, except under portfolio hedges, shall be recognised individually in the consolidated financial statements, in principle; however, combining a hedged item and a hedging instrument as if it were a synthetic instrument (“synthetic instrument approach”) is permitted for interest rate derivatives and foreign-currency derivatives in a limited circumstance, where the situation indicates that there is almost perfect hedging relationship between such derivative instruments and hedged items.</p>	<p>Hedging accounting methods differ between IAS and Japanese GAAP technically; however the resulting gains or losses do not significantly differ, because under hedging accounting methods, ineffective portion of hedging instruments is limited, and needs to be recognised in profits or losses if hedging relationship is not considered highly effective.</p> <p>Under the synthetic instrument approach, the total sum of receipts and payments of hedging instruments are added or extracted from the receipts and payments of the related hedged items as if it were a single instrument, in order to reflect the substance. This synthetic instrument approach is used; however resulting consequences in net profit or loss will not significantly differ, since this accounting approach is only permitted where the hedging relationship is almost perfect.</p>

IAS/IFRS (Title)	Classification	Item	IAS/IFRS	Japanese GAAP	Remarks
	R	Fair value option	Any financial instruments, including financial liabilities are permitted to be measured at fair value on initial recognition, with changes in fair value recognised in profit or loss. To impose discipline on this categorisation, subsequent reclassification into or out of this category is precluded.	Financial assets for trading purpose are only to be measured at fair value with changes in fair value recognised in profits or losses, and available for sale of securities are measured at fair value with changes in fair value recognised as a part of equity in the consolidated balance sheets. Financial liabilities are not permitted to be measured at fair value, except for in the hedge accounting.	Under Japanese GAAP, fair value option is not permitted, because any financial assets and liabilities are strictly categorised by the nature of financial instruments and managements' intention so that the results of changes in fair values of such instruments could be reflected consistently in the consolidated financial statements, which ensures the comparability of consolidated financial statements. This treatment is consistent with US GAAP.
IAS40 Investment Property	S	Definition of an investment property	Investment property is defined as a property (land or a building) held to earn rentals or for capital appreciation or both, in principle.	Lands and buildings are not categorized into several categories, based on their form and nature.	Under Japanese GAAP, lands and buildings, which may be classified as investment properties under IAS40, shall be treated equally, and measured by the cost method, because the purpose of holding such properties is difficult to be identified, and therefore it is considered to be unrealistic that these assets shall be measure at a fair value based on their form and nature. This accounting treatment and disclosure requirement is consistent with US GAAP.
	P	Measurement subsequent to initial recognition	Investment property shall either be measured by cost model (i.e. initially recognised costs or depreciated costs) or fair value model (i.e. regularly obtained fair value) in the financial statements.	Lands and buildings shall be measured at costs with any necessary depreciation.	

IAS/IFRS (Title)	Classifi cation	Item	IAS/IFRS	Japanese GAAP	Remarks
	D	Disclosure of fair value	Fair value of investment properties shall be disclosed, when the cost model is applied.	Fair value of investment properties is not required to be disclosed.	

<Note1>

Following illustrates definitions of letters described under “Classification” column, which is consistent with those in Appendix 2.

S: Scope

P: Presentation / Measurement

R: Recognition

D: Disclosure

<Note2>

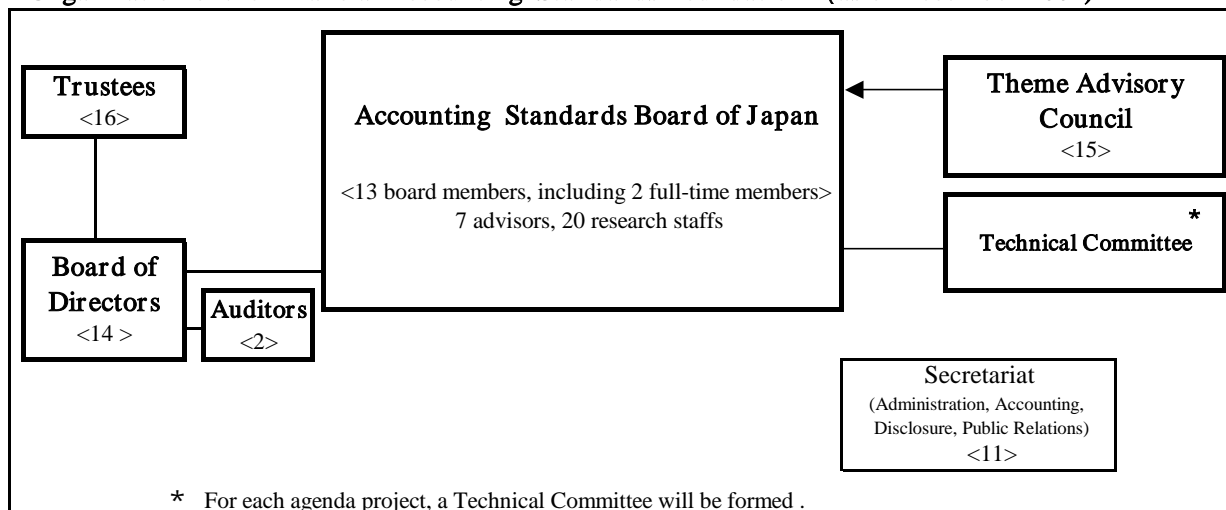
Following abbreviations are used in the table set out above.

Abbreviations	Descriptions
Japanese GAAP	Accounting principles and practices, generally accepted in Japan.
US GAAP	Accounting principles and practices, generally accepted in the United States.
ASBJ	Accounting Standards Board of Japan, a board of the Financial Accounting Standards Foundation (FASF), and independent private organization for setting up accounting standards and related guidelines for Japanese GAAP.

<Note3>

Japanese accounting standards relevant for business combinations (IFRS3) and interests in joint ventures (IAS31) are illustrated based on a standard pronounced in 2003 (“Accounting Standards for Business Combinations”), which will be effective from fiscal year beginning April 2006 (except for goodwill impairments). In addition, impairment of assets (IAS36) and goodwill impairments (IFRS3) are summarized based on a standard pronounced in 2002 (“Accounting Standards for Impairments of Assets”), which will be formally effective from fiscal year beginning April 2005; however, early application of this standard was explicitly encouraged, and in practice, it has already been widely used by many companies, as of December 31, 2004.

Organization of the Financial Accounting Standards Foundation (as of December 2004)



Organization of the ASBJ (as of December 2004)

