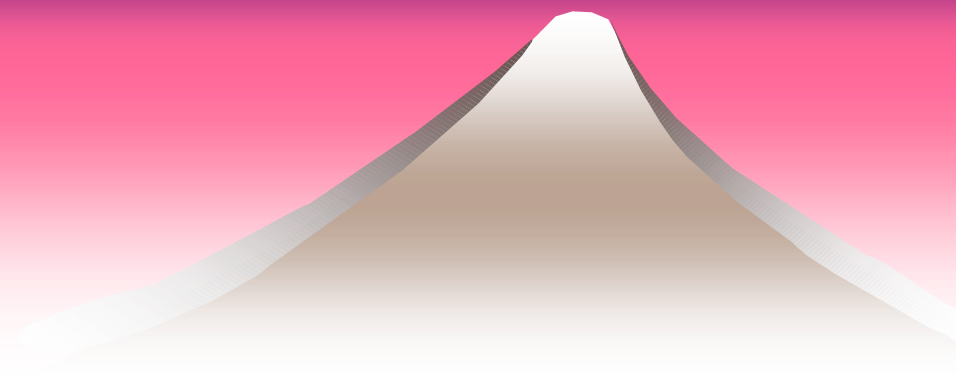
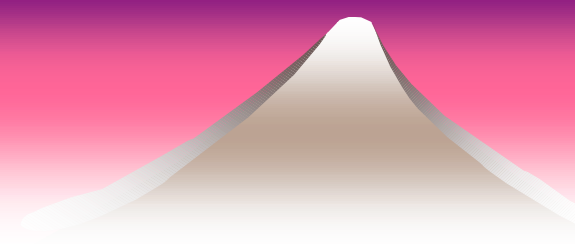


Employee Benefits Accounting Principles

JAPAN



Overview

- ▲ Accounting Standards for Retirement Benefit Plans became effective on April 1, 2000
 - ▲ The standard intends to go along with IAS 19.
 - ▲ Accounting Standards for the special event, such as curtailment, termination, settlement and converting of retirement benefit plans, became effective on January 31, 2002.
 - ▲ No explicit standards for other employee benefits.
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Standards for Retirement Benefit Plans

- ▲ Expense (= IAS19, FAS87)
 - Sum of service cost, interest cost, expected return on plan assets, and amortization of unrecognized costs
- ▲ Expected Return on Assets Component of Expense (= IAS19, FAS87)
 - Based on the market value of assets

- ▲ Actuarial Cost Method (=IAS19, FAS87)
 - Projected unit credit
- ▲ Attribution (\neq IAS19, FAS87)
 - service proration
- ▲ Discount Rate
 - Yield of high quality corporate bonds. (In practice, likely to use yield of Government Bonds.)
 - Average yield, for up to a 5 year period, is also permitted.

- ▲ Gains and Losses (\neq IAS19, FAS87)
 - No corridor. Amortized over average remaining service.
- ▲ Recognition of Cost of Plan Changes (\neq IAS19, =FAS87)
 - Recognized **over average remaining service**.
- ▲ Benefits Included (\neq IAS19, FAS87)
 - Benefits in writing

▲ Measurement Date (= IAS19, ≠ FAS87)

- must be end of fiscal year. (although estimates may be used.)

▲ Limit on Prepaid Asset (≠ IAS19, FAS87)

- Limit on prepaid assets.
Prepaid asset may not increase due to investment performance.

▲ Additional Minimum Liability (= IAS19, ≠ FAS87)

- Not required.

▲ Transition (≠ IAS19, FAS87)

- An adoption asset and liability may be recognized over a period of up to fifteen years. (Company selects the period)

Special Accounting (New)

▲ Curtailment

- Significant reduction in future service

▲ Termination

- Immediate Expense Recognition

▲ Settlement

- Lump sums

▲ Converting

- Transferring the assets and liabilities into the other plan