

*ASBJ Statement No.25*

**Accounting Standard for Presentation of Comprehensive Income  
and an amendment to a related standard**

**June 30, 2010**

**The Accounting Standards Board of Japan**

**Remarks on the Release**

The Accounting Standards Board of Japan (ASBJ) has been deliberating, as a part of its project on the international convergence of accounting standards, establishment of an accounting standard for presentation of comprehensive income.

On June 24, 2010, at the 204th meeting, the ASBJ approved ASBJ Statement No.25 (hereinafter, the “Accounting Standard”) and the related amendment to ASBJ Statement No.22 “Accounting Standard for Consolidated Financial Statements” for public release.

Prior to the publication of the Accounting Standard and the related amendment, the ASBJ published the exposure draft on December 25, 2009 to invite public comments broadly, and subsequently revised some parts of the drafts based on the review of the comments received.

The Business Accounting Council, an advisory body to the Financial Services Agency, has started general discussions about non-consolidated financial statements. The ASBJ will decide whether to apply the Accounting Standards to non-consolidated financial statements, taking into account the development of the Council’s discussions. The decision will be made within one year from the issuance of the Accounting Standard.

## **Outline of the Accounting Standard**

### **Objective**

The objective of the Accounting Standard is to specify the presentation of comprehensive income and other comprehensive income in financial statements. Recognition and measurement of components of net income and other comprehensive income shall be subject to requirements of other accounting standards.

### **Scope**

The Accounting Standard shall apply to presentation of comprehensive income and other comprehensive income in financial statements (including quarterly financial statements).

### **Definitions**

*Comprehensive income* is the change in net assets that is recognized in an entity's financial statements for a period, other than those changes resulting from direct transactions with equity holders in the entity's net assets. Equity holders in the entity's net assets include shareholders of the entity, holders of the share warrants issued by the entity and, for the purpose of consolidated financial statements, minority shareholders of subsidiaries of the entity.

Other comprehensive income is a portion of comprehensive income that is not included in net income for the period or minority interest's share in it.

### **Presentation of calculation of comprehensive income**

Calculation of comprehensive income shall be presented as follows:

- (a) For non-consolidated financial statements, net income and additions or deductions of components of other comprehensive income;
- (b) For consolidated financial statements, net income before adjusting minority interest and additions or deductions of other comprehensive income.

### **Presentation of components of other comprehensive income**

Components of other comprehensive income shall be presented separately according to their nature, such as unrealized gains or losses on available-for-sale securities, deferred gains or losses on hedging instruments, and translation adjustments. An investor's share in other comprehensive income of associates that are accounted for using the equity

method shall be presented as a separate component.

Components of other comprehensive income shall be, in principle, presented at net of related tax effects. Tax effects for each component shall be disclosed in the notes.

Amounts reclassified to net income in the period that were recognized in other comprehensive income in the current or previous periods shall be disclosed in the notes as reclassification adjustments.

Disclosure by notes about components of other comprehensive income may be omitted for non-consolidated financial statements (when the entity prepares consolidated financial statements) and quarterly financial statements.

### **Statement(s) presenting comprehensive income**

Comprehensive income shall be presented in either of:

- (a) a format composed of the statement of income that presents net income and the statement of comprehensive income that presents calculation of comprehensive income (two-statement format);
- (b) a format using one statement (statement of income and comprehensive income) that presents net income and comprehensive income (one-statement format).

### **Effective dates and transitions**

The Accounting Standard shall apply to consolidated financial statements from the end of the year ending on or after March 31, 2011, except for disclosures of the items required by as notes. However, it can be applied to consolidated financial statements from the end of the year ending on or after September 30, 2010. For the first year the Accounting Standard is applied, the total comprehensive income (as well as the amount attributable to owners of the parent and that attributable to minority interest) and components of other comprehensive income for the immediately preceding year should be disclosed in the notes.

Disclosures of items required as notes shall be required from the end of the year ending on or after March 31, 2012. Earlier application is permitted. For the first year of those disclosures, notes for the immediately preceding year are not required.

In the first year the Accounting Standard is applied to quarterly financial statements, comparative information for the comparable interim periods (current and year-to-date) of the immediately preceding year would be restated, but, in the cases of earlier

application, disclosed in the notes.

### **Outline of the Amendment to ASBJ Statement No.22**

ASBJ Statement No.22 is amended to add necessary description about consolidated statements of income and comprehensive income or consolidated statement of comprehensive income.

#### **Application to unlisted companies**

Some respondents to the exposure draft of the Accounting Standard expressed concerns about applying the proposed presentation of comprehensive income to unlisted companies, on the ground that unlisted companies differ from listed companies in their nature of business activities and stakeholders' needs for financial statements. The differences they noted include that their needs for raising fund from abroad are less and that their stakeholders are generally limited to domestic shareholders, debtors and customers. Interested parties, including the ASBJ, are now discussing the way that accounting standards for unlisted companies should be. Application to unlisted companies may be separately addressed based on those discussions.