

Message from the President (issue 2011.9, vol.34)

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In Commemoration of the 10th Anniversary of the Establishment

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1. Introduction

In July 2011, the Financial Accounting Standards Foundation (FASF) and the Accounting Standards Board of Japan (ASBJ) reached the 10th anniversary of their establishment. With the supports by our constituents, the FASF/ASBJ successfully completed the first decade assuming great responsibility for the accounting system in Japan. I would like to express my sincere gratitude to all of our constituents.

Today, Japan is about to go through major changes in the accounting system. The future role of the FASF/ASBJ is expected to become larger and we will conduct our operations to meet the market constituents' expectation.

In this article, I look back at the last decade, and discuss the future of the FASF/ASBJ as well.

2. Last Ten Years

(1) ASBJ's Activities

Prior to the establishment of the ASBJ in July 2001, the Business Accounting Council of the Financial Services Agency (FSA) had been responsible for setting accounting standards in Japan. Accounting standards are an important part of infrastructure for the capital market. The ASBJ took over the role of the standard setter, which is of such importance. Over the last ten years, the ASBJ, led by the former Chairman Shizuki Saito and the current Chairman Ikuo Nishikawa, have placed the greatest emphasis on properly hearing constituents' opinions and forming appropriate views based on them. The FASF's operating costs are mostly funded by member fees provided by our constituents. Accordingly, in order to respond to the entrustment from the members, the ASBJ need to hear constituents' opinions and properly form appropriate views and I believe it indeed has made every effort to gain the confidence of the constituents.

One of the most important challenges the ASBJ dealt with in the past ten years was convergence of accounting standards. The Accounting Big Bang, introduced by the FSA in the 1990s, globalized Japanese accounting standards. Following that initiative, the ASBJ launched convergence projects with the International Accounting Standards Board (IASB) in 2005. In 2007, the Boards announced the Tokyo Agreement with the IASB and have contributed to the improvements of the global accounting standards as well as facilitated the globalization of Japanese accounting standards. Those efforts also contributed to the EU's determination in 2008 that Japanese GAAP as a whole is equivalent to the IFRSs.

With regard to global accounting standard-setting, the ASBJ recently took an initiative role in establishing the Asian-Oceanian Standard-Setters Group (AOSSG). Currently, the ASBJ acts as a chair and is conducting activities with the aim of playing an active role relating to IFRSs in the Asian-Oceanian region.

(2) FASF's Activities

The FASF was established to contribute to promoting sound development of business finance systems in Japan and securing sound capital markets. Over the last decade, the FASF implemented a variety of activities.

The FASF currently conducts many activities to help to make a smooth transition to IFRSs in Japan. As is well known, the FSA has allowed some listed companies that meet certain criteria to voluntarily use IFRSs, from the fiscal year ending in March 2010. The FSA is also deliberating whether to make the use of IFRSs mandatory. When implementing IFRSs, there would be various issues to be addressed other than those about accounting standards themselves, including translation, education, training and others. Accordingly, the FASF established the IFRS Council, in July 2009, in coordination with constituents such as Japan Business Federation (Nippon Keidanren), the Japanese Institute of Certified Public Accountants (JICPA), and Tokyo Stock Exchange.

In February 2011, the IFRS Foundation announced its plan to establish a liaison office of the Asian-Oceania region in Tokyo. The FASF actively participated in inviting the office to Japan, reaching out to major domestic and foreign constituents.

With regard to the disclosure system in Japan, the FASF continues to compile the preparation guides of annual securities report and of the quarterly securities report, as well as to host seminars in major cities thorough Japan to disseminate the information.

3. The Future of the FASF and the ASBJ

Although the current Japanese economic situation is severe, the accounting system as an

infrastructure of the capital market is about to face a major turning point. The FSA is deliberating the use of IFRSs in Japan and its outcome will have potentially significant effects both domestically and globally. This is an issue that our constituents need to collectively deal with in order to enhance global competitiveness of Japan.

Under such situation, the FASF/ASBJ as a pillar of the accounting system in Japan would have increasingly heavy responsibilities. Specifically, the FASF/ASBJ as a body specialized in the accounting standards would need to fully understand global trends, properly analyze the information and plan a strategy for Japanese accounting. The ASBJ also would need to bring together the local views on IFRSs, enhance the relationship with the IASB and conduct extensive discussions. The ASBJ would need further efforts to enhance the global confidence in accounting of Japanese companies.

Furthermore, fostering accounting professionals is another major task for the FASF/ASBJ. Japan has provided the IFRS Foundation and the IASB with a number of capable people as Trustees and Board Members and thereby has built a strong position in those areas. To develop human resources who are able to participate in those areas from a long-term standpoint would be an urgent need.

Lastly, I would like to take this opportunity to express my sincere appreciation to the cooperators in the establishment of the FASF, namely, Nippon Keidanren, the JICPA, Japanese Stock Exchanges Conference, the Japan Chamber of Commerce and Industry, Japan Securities Dealers Association, Japanese Bankers Association, the Life Insurance Association of Japan, the General Insurance Association of Japan and the Securities Analysts Association of Japan, for their supports in the last ten years. I would like to ask for continuous supports in the years to come.