

9 September 2009

ASBJ and IASB reaffirm their ongoing cooperation in achieving convergence in accounting standards

The Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) have held their tenth meeting to accelerate convergence of Japanese generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Led by Ikuo Nishikawa, Chairman of the ASBJ, and Sir David Tweedie, Chairman of the IASB, the meeting took place in London on 7 and 8 September 2009.

As part of the meeting, representatives of the IASB provided an update on their ongoing project work, in particular on those projects that form part of the convergence programme between the IASB and the US Financial Accounting Standards Board (FASB) and on the measures that are being undertaken by the IASB in response to the financial crisis.

Representatives of the ASBJ reported that good progress is being made towards convergence of IFRSs and Japanese GAAP. As outlined in the Tokyo Agreement these efforts extend to all projects on the IASB's agenda. Representatives of the boards also exchanged views on the recent IASB exposure draft *Financial Instruments: Classification and Measurement* and the following important items, including cross-cutting issues among IASB projects.

- Other comprehensive income, and recycling/non-recycling: Cross-cutting issues among Financial statement presentation, Financial instruments (Classification and measurement), and Post-employment benefits
- Measurement of liabilities: Cross-cutting issues among Financial liabilities and Non-Financial liabilities (IAS37), including own credit risk

In addition, the representatives of the ASBJ provided an overview of the Interim Report *Opinion on Application of International Financial Reporting Standards in Japan* issued by

the Business Accounting Council (BAC), an advisory body to the Commissioner of the Japan Financial Services Agency (FSA) in June this year. The roadmap permits early adoption of IFRSs by listed companies for fiscal years beginning 1 April 2009 and proposes mandatory adoption of IFRSs from 2015 or 2016, with a final decision on the mandatory element being taken around 2012. In this context, representatives of the boards also discussed how to address issues relating to the implementation of IFRSs in Japan. As a result of these discussions, the IASB expressed its willingness to support Japanese constituents and the ASBJ in their work in addressing implementation issues.

Representatives of both boards believe that the ASBJ's and IASB's ongoing work towards convergence between Japanese GAAP and IFRSs is essential for a successful adoption of IFRSs. The ASBJ's continuing participation in the IASB's standard-setting process will also contribute to the future development of high-quality accounting standards in the medium and long term.

Commenting on the meeting, Ikuo Nishikawa, Chairman of the ASBJ, said:

The IASB and the ASBJ again had a useful meeting that included a productive discussion on cross-cutting issues. The ASBJ continues to participate actively in the international standard-setting process, including this regular meeting with the IASB. This is also consistent with the Interim Report issued by the Business Accounting Council, which sets out a roadmap towards the application of IFRSs in Japan and recommends that the ASBJ continues and accelerates the convergence of accounting standards.

Sir David Tweedie, Chairman of the IASB, said:

The recent approval of a roadmap for the adoption of IFRSs in Japan by the Business

Accounting Council of Japan Financial Services Agency has been a milestone in our efforts to establish IFRSs as the single set of generally accepted accounting principles around the world. The joint efforts of both boards to achieve convergence as agreed in the Tokyo Agreement have made an important contribution to making this development possible. The ongoing cooperation of the two boards will also contribute to a smooth adoption of IFRSs in Japan and to creating high-quality IFRSs in the future.

The next meeting of the boards is scheduled for early 2010 in Tokyo, Japan.

Notes to Editors:

The Tokyo Agreement

The 'Tokyo Agreement', a joint declaration announced by the ASBJ and the IASB on 8 August 2007, sets out an initiative to accelerate a convergence programme for IFRSs and Japanese GAAP first announced in March 2005. The aim of the initiative was to eliminate major differences between Japanese GAAP and current IFRSs in use (as defined by the July 2005 CESR assessment of equivalence) by 2008, with the remaining differences that the boards identified being removed on or before June 2011. While the target date of 2011 does not apply to any major new IFRSs now being developed to become effective after 2011, both boards will work closely to ensure the acceptance of the international approach in Japan when new standards become effective.

The Interim Report 'Opinion on the Application of International Financial Reporting Standards in Japan'

The Interim Report 'Opinion on the Application of International Financial Reporting Standards in Japan' was issued on 30 June 2009 by the Business Accounting Council, an advisory body to the Commissioner of the Japan Financial Services Agency (FSA).

A provisional English translation of the Interim Report is available at the Financial Services Agency website at <http://www.fsa.go.jp/en/news/2009/20090701-1.html>

About the ASBJ

The Accounting Standards Board of Japan (ASBJ) was established in July 2001 as a private sector organisation. Accounting standards developed by the ASBJ are to be authorised by the Financial Services Agency as part of generally accepted accounting principles (GAAP). The ASBJ develops accounting standards and implementation guidance that appropriately reflect the environment in which business enterprises operate. The ASBJ also communicates with corresponding organisations abroad and contributes to the development of global accounting standards. For more information about the ASBJ, visit the Website at https://www.asb.or.jp/asb/top_e.do.

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high-quality global accounting standards that provide high-quality transparent and comparable information in general-purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The Board currently has 15 full-time members drawn from ten countries and who have a variety of professional backgrounds. By 2012 the Board will be expanded to 16 full-time members. Board members are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.