

Major views expressed at the first meeting for
discussion on the future Japanese corporate accounting framework (July 31, 2008)

1. Advanced review of standards for consolidated financial statements

The “Tokyo Agreement” last year envisaged the target of eliminating major differences between the Japanese accounting standards and the International Financial Reporting Standards (IFRSs) by June 2011. It was suggested during the discussion that in revising accounting standards based on the agreement, standards for consolidated financial statements should be firstly amended prior to those for non-consolidated financial statements, which are closely integrated to unique Japanese business practices and historical accounting practices, so as to ensure international comparability of consolidated financial statements and to enhance the relevance of information to investors. This approach is called “Advanced review of standards for consolidated financial statements.” (Please see the attachment which illustrates the approach.) The following are major views that were expressed at the meeting:

- Taking user convenience into account, achieving the convergence of accounting standards is necessary and sequential, so as not to expose Japanese companies to competitive disadvantages against foreign companies in terms of cost.
- Accelerating and achieving the convergence is paramount, and thus the approach of advanced review of standards for consolidated financial statements is necessary.
- Accounting standards under the Financial Instruments and Exchange Act and those under the Companies Act were unified based on the revision of the Commercial Code (enactment of the Companies Act) in 2005. To follow this precedent, there are no other means than taking the approach of advanced review of standards for consolidated financial statements.
- Even if standards for non-consolidated financial statements were to lag behind, it is important that they follow those for consolidated financial statements as soon as possible.
- Discussion should be promptly initiated among interested parties, including the authorities, to form the details of the approach of advanced review of standards for consolidated financial statements.

2. IFRSs

Various views were expressed, including the following:

- Discussion should take place on whether to introduce IFRSs, and on the potential need for a detailed time-table.
- If IFRSs are to be introduced, due consideration should be given to ensuring sufficient preparation by preparers and auditors, as there would be a lot work to do in this respect.
- Governance reform of the International Accounting Standards Committee Foundation should be necessary.