

Accounting, Auditing and Disclosure Systems in Japan

Main Points

Accounting, auditing and disclosure systems in Japan are essentially equivalent to and consistent with internationally recognized systems.

Convergence is an important goal for all market participants to foster confidence and efficiency in global capital markets. In this context, continued efforts towards this goal will be made.

Japanese securities issuers have played an active part in the EU markets. There are approximately 75 Japanese issuers with shares listed and at least 180 issuers with bonds listed within the EU.

Financial statements prepared in accordance with Japanese GAAP and audited in accordance with Japanese GAAS have been widely accepted by investors in the EU markets as well as foreign investors in Japanese markets.

Given these facts, both the EU markets and Japanese securities issuers will benefit from the continued use of financial statements prepared in accordance with Japanese GAAP and audited in accordance with Japanese GAAS.

I. Overview

Through the so-called "Financial Big-Bang" since 1996, accounting, auditing and disclosure systems in Japan have been substantially revised and have essentially become equivalent to and consistent with internationally recognized systems.

The revisions include, for example,

- Revision of Consolidated Financial Statements, Retirement Benefits, Accounting for Income Taxes, Fair Value Accounting for Financial Instruments, Impairment of Assets, and Business Combinations.
- The establishment of the new Auditing Standards including "going concern" and "risk approach."
- The measures to enhance disclosure including risk information, governance-related information and MD&A.