



8 August 2007

Accounting Standards Board of Japan International Accounting Standards Board

Agreement on initiatives to accelerate the convergence of accounting standards

The Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) share the belief that convergence towards high quality accounting standards will greatly benefit capital markets around the world. They therefore launched a joint project in March 2005 with the final goal of accomplishing convergence between Japanese GAAP and International Financial Reporting Standards (IFRSs). In their discussions in this joint project, the boards have identified differences between the two sets of standards and have made progress towards eliminating those differences.

In the light of the growing acceptance of IFRSs by major economies throughout the world, the ASBJ and the IASB agree that the acceleration of convergence of Japanese GAAP and IFRSs is the strategic priority of their joint convergence efforts. Consistently with this objective, the ASBJ and the IASB have agreed to pursue the strategy outlined below, which includes defined target dates for short-term and longer-term convergence projects. In pursuing this strategy, the ASBJ and IASB recognise the need to consult interested parties, including regulators, and to follow their respective due process requirements for the development of accounting standards.

Completion of short-term convergence projects by 2008

The goal by 2008 is to reach a conclusion that eliminates the differences or provides compatible accounting standards for the items which in July 2005 the Committee of European Securities Regulators (CESR) advised remedies as to the financial statements prepared under Japanese GAAP in connection with the equivalence assessment by the European Commission. Consequently, convergence in major areas of existing Japanese GAAP and IFRSs will be achieved through these projects.



Establishing a 30 June 2011 target date for other convergence topics

The goal by 30 June 2011 is to bring about convergence on the remaining differences between Japanese GAAP and IFRSs that have been identified by the boards, but are not part of the 2008 projects. The target date does not apply to any area of difference on which the IASB now has a major project that will result in a new standard with an effective date after 30 June 2011. However, to achieve the ultimate objective of convergence of Japanese GAAP and IFRSs in these remaining areas, both boards will work closely to ensure the acceptance of the international approach in Japan when new standards become effective.

The ASBJ and the IASB will proceed with the projects expeditiously and steadily in the light of the changing environment surrounding global convergence of accounting standards and will enhance co-operation to facilitate greater input in the international standard-setting process from Japan. For this purpose, in addition to the joint meeting between representatives of the ASBJ and the IASB held semi-annually since 2005, both boards will establish working groups led by directors in order to further discuss the major issues emerging in the development of accounting standards in a practical manner. The ASBJ and the IASB both recognise the need to undertake these works in a manner that is consistent with their respective established due processes, including consultation with constituents regarding ongoing joint efforts.

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It is expected that this Agreement by the ASBJ and the IASB will contribute to the achievement of global convergence of accounting standards through the efforts and actions of not only both boards but also many concerned parties—including preparers, auditors, investors and regulators.