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Japanese FASF and IFRS® Foundation Trustees issue Joint Statement

Financial Accounting Standards Foundation
Accounting Standards Board of Japan
IFRS Foundation Trustees
International Accounting Standards Board

The Trustees of the IFRS Foundation met in Tokyo during the week commencing 22 May 2017. The meeting provided an opportunity for the IFRS Foundation Trustees, as well as members of the International Accounting Standards Board (IASB) to exchange views with Japanese stakeholders about the work of the IASB and how best to support Japanese stakeholders in their application of and migration to IFRS Standards.

This Joint Statement by the Financial Accounting Standards Foundation (FASF), the Accounting Standards Board of Japan (ASBJ), the IFRS Foundation Trustees and the IASB follows those discussions.

Continued increase in voluntary use of IFRS Standards

In Japan, the voluntary application of IFRS Standards has been permitted for fiscal years ending on or after March 2010. As of 30 April 2017, 164 listed companies have adopted or announced plans to adopt IFRS Standards. The total market capitalisation of those companies is approximately 30% of the market capitalisation of all listed companies in Japan. Many companies cited management efficiencies and improved comparability of financial statements as the main reasons for moving to IFRS Standards. This increase in voluntary use of IFRS Standards reflects enhanced confidence by Japanese companies in the usefulness of IFRS Standards.

IFRS Standards facilitate constructive dialogue

As part of their stakeholder outreach, the IFRS Foundation Trustees and the FASF jointly hosted a panel discussion on “Constructive Dialogue between Financial Statement Preparers and Investors”.

Participants of the panel discussion, each in their capacity as financial statement users, preparers, auditors and standard-setters, discussed what is required to set the foundation for constructive dialogue between financial statement preparers and investors in an effective manner.

High quality accounting standards provide the basis for such dialogue, and the IASB has announced that it will be focusing its efforts on better communication in financial reporting in the next few years.

At the same time, the Corporate Governance Code and the Stewardship Code, both recently developed in Japan, emphasise the constructive dialogue between financial statement preparers, who are responsible to aim for the sustainable growth and medium-to-long term increase in corporate value, and “responsible institutional investors”, who have the responsibility to enhance the medium-to-long-term investment returns for their clients and beneficiaries. From this perspective and the perspective of improving the performance of Japanese capital markets as a whole, communication between financial statement preparers and investors has become more important than ever.

Japanese participants expressed their views that while accounting standards should allow management to tell its own story, comparability is also important for investors, and hence accounting standards should strike the appropriate balance between these objectives.

Furthermore, Japanese participants expressed their expectations that IFRS Standards will contribute to the constructive dialogue between financial statement preparers and investors, which if successful will ultimately lead to an increase in corporate value and growth in the economy. They also stated that Japanese constituents will continue to proactively contribute to the development of IFRS Standards as high-quality accounting standards.

Shared commitment towards high quality, global accounting standards

The FASF, the ASBJ, the IFRS Foundation Trustees and the IASB reaffirmed their shared commitment towards the objective of a single set of high quality, global accounting standards.

In order to achieve the above goals, all parties recognised the importance of cooperation among constituents, including the further utilisation of the IFRS Foundation Asia-Oceania office located in Tokyo, to support effective stakeholder engagement in Japan and across the broader Asia-Oceania region. The IFRS Foundation Trustees also expressed their thanks to the FASF and other Japanese stakeholders for their ongoing support for the Asia-Oceania office.

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