

10 June 2011

## **IASB and ASBJ announce their achievements under the Tokyo Agreement and their plans for closer co-operation**

The International Accounting Standards Board (IASB) and the Accounting Standards Board of Japan (ASBJ) have announced their achievements under their August 2007 Memorandum of Understanding (MoU), known as the Tokyo Agreement, to improve International Financial Reporting Standards (IFRSs) and Japanese generally accepted accounting principles (GAAP) and to bring about their convergence.

The boards, meeting in Tokyo on 6 and 7 June 2011, also announced their intention to deepen their co-operation in preparation for a decision around 2012 on the mandatory application of IFRSs in Japan. Some Japanese domestic companies are already permitted to prepare financial statements in accordance with IFRSs.

At the meeting Sir David Tweedie, chairman of the IASB, and Ikuo Nishikawa, chairman of the ASBJ, expressed their belief that their boards' work for the convergence of their standards was an important step on the path towards Japan's possible adoption of IFRSs and noted that the ASBJ's continuing participation in the IASB's standard-setting process contributes significantly to the development of a single set of high quality global accounting standards. A summary of the results of the Tokyo Agreement so far is attached. This initiative will continue to seek further convergence of IFRSs and Japanese GAAP.

The representatives of the boards also discussed the remaining projects, including those in the MoU, between the IASB and the US national standard-setter, the Financial Accounting Standards Board (FASB), including revenue recognition, leases, financial instruments and insurance contracts, as well as interpretation and practical issues relating to the voluntary application of IFRSs in Japan.

As Sir David Tweedie and two other members of the IASB, Warren McGregor and Tatsumi Yamada, will end their term of duty at the end of this month, Ian Mackintosh, vice chairman-elect of the IASB, and Takatsugu (Tak) Ochi, member-elect of the IASB, also took part in the meeting to help to maintain the close relationship between the IASB and the ASBJ. The IASB's director of international activities, Wayne Upton, who has also been involved in this initiative, were also present at the meeting.

In working together under the Tokyo Agreement the boards have strengthened their relationship and made good progress towards the goal of global accounting standards for use in capital markets. The IASB and the ASBJ agreed that they should continue the effort for convergence and establish a closer relationship.

Commenting on the meeting, Sir David Tweedie, said:

The achievements under the Tokyo Agreement represent a major milestone in our joint work to improve and align international and Japanese financial reporting standards. Over the past four years, the ASBJ has not only changed many Japanese standards to conform to their international equivalents but under Ikuo's direction has also been very influential in the

current debates on new IFRSs. Our attention now turns to deepening the relationship between the IASB and the ASBJ in preparation for a decision in 2012 on Japanese adoption of IFRSs.

Ikuo Nishikawa, said:

We are pleased to announce the achievements under the Tokyo Agreement today and greatly appreciate Sir David Tweedie, all other IASB members and staff for their continuous support for our convergence work.

Sir David Tweedie will be greatly missed; however, we will continue our efforts to converge with IFRSs and our discussions with the IASB and its new leaders.

The next meeting of the boards is scheduled for Q4 2011 in London.

**End**

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**Appendix**

**Achievements under the Tokyo Agreement between the IASB and the ASBJ**

In March 2005 the IASB and the ASBJ launched a joint project to eliminate differences between IFRSs and Japanese GAAP with the aim of contributing to the development of global capital markets by promoting further international convergence to high quality accounting standards. Since then, both boards have proceeded with the project and continued to hold joint meetings twice a year. In August 2007 Sir David Tweedie, chairman of the IASB, and Ikuo Nishikawa, chairman of the ASBJ, jointly announced an agreement (the Tokyo Agreement) to accelerate convergence of IFRSs and Japanese GAAP.

As part of the agreement, both boards agreed to seek to eliminate by 2008 major differences between Japanese GAAP and IFRSs (as defined in the assessment of equivalence made for the European Commission in July 2005 by the Committee of European Securities Regulators (CESR)), with the remaining differences to be removed on or before 30 June 2011. Whilst the target date of 2011 does not apply to any major new IFRSs now being developed that will become effective after 2011, both boards will work closely to ensure the acceptance of the international approach in Japan when the new standards become effective.

With the target date of the Tokyo Agreement approaching, Sir David Tweedie and Ikuo Nishikawa, together with Ian Mackintosh, who will become the vice-chairman of the IASB from July, affirmed today the achievements under the agreement. The ASBJ would wish to enhance further its relationship with the IASB and to continue its close cooperation. In response, the IASB has agreed to

continue a close relationship. The cooperation of the two boards in the development of high quality financial reporting standards will contribute to the growth of global capital markets.

### **Achievements under the Tokyo Agreement to date**

The ASBJ has published discussion papers on items that the IASB has deliberated as early as possible to solicit comments from Japanese constituents and has discussed those items with the IASB so as to ensure that the international approach will be accepted in Japan. In addition, the ASBJ has actively participated in the IASB's standard-setting process both by supporting the IASB's outreach activities in Japan and, as the current chair of the Asian-Oceania Standard-Setters Group, by gathering the views of the Asia-Oceania region on IASB projects. In doing so, the ASBJ has contributed effectively to the global accounting standard-setting process and has ensured that the views of the ASBJ were considered by the IASB.

#### (1) Short-term convergence projects

In July 2005, in connection with the equivalence assessment by the European Commission, the CESR recommended changes to financial statements prepared in accordance with Japanese GAAP. Under the Tokyo Agreement, the goal to eliminate the differences or provide compatible accounting standards for those items identified by the CESR was set to reach a conclusion by 2008.

For this purpose, the ASBJ issued following new or revised accounting standards and completed the target in 2008.

<b>Item</b>	<b>ASBJ's developments</b>
Construction contracts	Issued new standard in December 2007
Uniformity of accounting policies (associates)	Issued new guidance in March 2008
Financial instruments (disclosure of fair values)	Issued revised standard in March 2008
Asset retirement obligations	Issued new standard in March 2008
Measurement of post-retirement benefits obligation	Issued revised standard in July 2008
Inventory cost	Issued revised standard in September 2008
Fair value disclosure of investment property	Issued new standard in November 2008
Business combinations – STEP 1	Issued revised standard in December 2008
Intangibles (In-process R&D)	Issued revised standard in December 2008

#### (2) Other convergence projects

Under the Tokyo Agreement, other convergence projects consist of two parts. The first part is to achieve convergence on the remaining differences between Japanese GAAP and IFRSs, identified by

both boards as major differences, except for the short-term convergence projects as described in (1) above, with a target date of 30 June 2011.

For this purpose, the ASBJ has issued (or expects to issue) the following new or revised accounting standards and as a result is expecting to substantially achieve the target.

Items	ASBJ's developments
Segment reporting (adoption of management approach)	Issued new standard in March 2008
Retrospective applications	Issued new standard in December 2009
Presentation of other comprehensive income	Issued new standard in June 2010
Business combinations – STEP 2	Expects to publish exposure draft in Q3 2011
Intangible assets	Expects to publish exposure draft in Q3 2011

The second part is about possible differences arising from the current IASB's major projects to develop new IFRSs which would become effective after 2011. Both boards will work closely to ensure the acceptance of the international approach in Japan when those new IFRSs become effective.

For those possible differences mainly arising from the MoU projects between the IASB and the FASB, both boards have a common understanding and shared concerns through the discussions at their half-yearly meetings.

The following table shows current status of both boards on these items.

Item	IASB's current status	ASBJ's current status
Financial instruments	<p><b>Classification and measurement:</b> IFRSs - issued for classification and measurement in November 2009 and in October 2010, respectively</p> <p><b>Impairment:</b></p> <p>ED - published in November 2009</p> <p>Supplement published in January 2011</p> <p><b>Hedge accounting:</b></p> <p>ED - published in December 2010</p> <p><b>Offsetting:</b></p> <p>ED - published in January 2011</p>	<p>DPs - published for classification and measurement of financial assets and financial liabilities in August 2010 and in February 2011, respectively</p>

Fair value measurement and disclosure	IFRS - issued in May 2011	ED - published in July 2010
Consolidations	IFRS - issued in May 2011	DP - published in February 2009
Leases	ED - published in August 2010	DP - published in December 2010
Revenue recognition	ED - published in June 2010	DP - published in January 2011
Post-employment benefits	IFRS - expected to be issued in June 2011	ED - published primarily for immediate recognition of unrecognised items on the balance sheet as a first step in March 2010
Financial statement presentation (Phase B)	DP - published in October 2008 The project will be reviewed as part of its agenda consultation process	DP - published in July 2009
Financial instruments with the characteristics of equity	The IASB will review the future of the project in the light of its agenda consultation	Closely monitoring the IASB and the FASB's discussion
Insurance contracts	ED - issued in July 2010	Closely monitoring the IASB and the FASB's discussion
Provisions (IAS 37)	The IASB will review the future of the project in the light of its agenda consultation	DP - published in September 2009
Emission trading schemes	The IASB will review the future of the project in the light of its agenda consultation	Closely monitoring the IASB and the FASB's discussion

## Notes to editors

### *About the IASB*

The IASB was established in 2001 and is the standard-setting body of the IFRS 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 IASB has 15 full-time members drawn from 11 countries and a variety of professional backgrounds. By 2012 the Board will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IFRS 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.

### ***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](https://www.asb.or.jp/asb/top_e.do).