

PRESS RELEASE

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ASBJ and IASB agree to next steps in launching joint project for convergence

The Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) today announced their agreement to launch a joint project to reduce differences between Japanese accounting standards and International Financial Reporting Standards (IFRSs). Phase 1 of this project is the first step towards the final goal of convergence of their standards. Today's agreement follows the announcement of 12 October 2004, when both boards agreed to examine differences between Japanese accounting standards and IFRSs. Both boards believe that this effort will promote further international convergence to high quality accounting standards and will contribute to the development of global capital markets.

Specific elements of the agreement include:

1. The boards will identify and assess differences in their existing standards on the basis of their respective conceptual frameworks or basic philosophies with the aim of reducing those differences where economic substance or market environments such as legal systems are equivalent.
2. The boards will address the differences in their respective conceptual frameworks. This will take place later in the project, as a separate subproject, at a time agreed by the boards.
3. The boards will consider their respective due process requirements in arriving at agreement.
4. The ASBJ will undertake a study to get an overall picture of major differences between Japanese accounting standards and IFRSs and will identify topics to be discussed.
5. The boards will adopt a phased approach to the comparative reviews of differences in individual standards.

6. The scope of the first phase is standards in place as of 31 March 2004, with the following exceptions:

- standards under review or intended to be reviewed in the joint projects between the IASB and the US Financial Accounting Standards Board (FASB)
- standards that are divergent owing to differences in the respective conceptual frameworks or basic philosophies
- standards recently developed
- standards whose requirements are subject to legal restrictions or those currently considered inapplicable in Japan.

Topics excluded from the first phase will be addressed in subsequent phases.

The ASBJ will identify topics for the first phase of the project by early 2005. Based on the above agreement, an initial meeting between representatives of the two boards will take place in Tokyo in the first quarter of 2005.