

January 22, 2010  
The IFRS Council

## **Establishment of a Council on Accounting of Unlisted Companies**

The IFRS Council today agreed to recommend establishing a council, tentatively named “The Council on Accounting of Unlisted Companies (the Council)”, aimed to consider accounting standards for unlisted companies, taking into account the increasing globalization of Japanese accounting standards.

Japanese accounting standards are currently being developed towards the goal of converging with International Financial Reporting Standards (IFRS), based on the “Tokyo Agreement” agreed upon between the Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) in August 2007 and the “Opinion on the Application of IFRS in Japan (Interim Report)” issued by the Business Accounting Council in June 2009. Since business activities (including financing activities) and stakeholders’ needs in financial statements of unlisted companies are different from those of listed companies, it has become imperative to consider accounting standards for unlisted companies, taking into account characteristics of such companies. In addition, as accounting standards are used as the basis to determine the distributable amount under the Company Act and the taxable income under the Corporation Tax Act, it would seem necessary to take these factors into consideration.

The Council is expected to deliberate on a wide range of issues relating to accounting standards applied to unlisted companies, taking into account the views such that the impact of globalization on unlisted companies should be minimized or even avoided in the context of promoting globalization of Japanese accounting standards.

Members of the Council are expected to consist of constituents, including management of small and medium size companies, academia, the Japan Chamber of Commerce and Industry (JCCI), the Japan Federation of Certified Public Tax Accountants’ Association (JFCPTAA), the Japanese Institute of Certified Public Accountants (JICPA), the Japan Business Federation (JBF), and the Accounting Standards Board of Japan (ASBJ). Regulators, including the Ministry of Justice (MOJ), the Financial Services Agency (FSA), the Ministry of Economy, Trade, and Industry (METI), the Small and Medium Enterprise Agency (SMEA), and the Tokyo Stock Exchange (TSE) are expected to participate as observers of the Council.

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(Note) The IFRS Council

The IFRS Council is a private organization established in July 2009, which aims to identify issues and establish overall policies and strategies so as to facilitate IFRS implementation, request task force committees to decide upon specific measures, and call for relevant organizations to take appropriate actions.

The following committees are established under the IFRS Council:

- “Strategic Committee for IASB”, which deliberates the strategy and specific actions in relation to the IASB’s standard-setting;
- “Education and Training Committee”, which aims to establish and implement IFRS education and training systems mainly targeted for accounting practitioners;
- “Translation Committee”, which aims to establish a system to promote an accurate Japanese translation of IFRS;
- “Committee for Separate Financial Statements”, which looks into how separate financial statements can be simplified; and
- “Public Relations Committee”, which undertakes PR activities to a wide range of stakeholders.