
Japan

Local stock exchange

Tokyo Stock Exchange

<http://www.jpx.co.jp/english/>

There are also stock exchanges in other cities such as Nagoya, Fukuoka and Sapporo. Additionally, other exchanges (Tokyo PRO Market, JASDAQ, Mothers, Centrex, Q-Board, and Ambitious) exist mainly for newly developed companies.

Rules for listed filings

IFRS required or permitted for listed companies?

Listed companies which meet certain requirements ("Specified Companies") are permitted to use IFRS ("Designate IFRS" see "Version of IFRS" for details) for their consolidated financial statements ending on or after March 31, 2010, as per Regulations for Consolidated Financial Statements revised by the Financial Services Agency ("FSA") of Japan.

The use of IFRS is not permitted for standalone/separate financial statements of listed filings for companies that file their consolidated financial statements under IFRS.

In June 2013, the Business Accounting Council ("BAC," an advisory body to the Financial Service Agency "FSA") issued a report "The Present Policy on the Application of International Financial Reporting Standards (IFRS)" which noted the importance of building examples of voluntary application of IFRS in Japan. The report recommended a number of measures to promote further use of IFRS in Japan, including the relaxation of statutory requirements of companies voluntarily applying IFRS (i.e. expansion of the number of "Specified Companies"). In October 2013, the FSA revised its Cabinet Office Ordinances which eliminated two of the four requirements that stipulated which companies are eligible to use IFRS. As a consequence, virtually all listed companies and unlisted companies preparing consolidated financial statements for listing purposes are eligible to apply IFRS.

In June 2014, the government issued a report approved by the Cabinet "Japan Revitalization Strategy 2014" which stated the "promotion of an increase in the number of companies voluntarily adopting the IFRS" as a government strategy. Similar context is also included in the revised "Japan Revitalization Strategy 2015".

As of August 2015, the number of listed companies who announced the implementation of IFRS in Japan was 91, which has more than quadrupled since June 2013 when it was 20.

Japan's Modified International Standards (JMIS)

In addition to the Designated IFRS, a new set of accounting standard "Japan's Modified International Standard (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications" was introduced in June 2015. JMIS is developed based on IFRS with limited deletions and modifications. The only two modifications made relate to goodwill amortization and OCI recycling (whether and when all items included in OCI should be reclassified subsequently to profit or loss). All other standards follow the IFRS issued by the IASB.

JMIS may be used by listed companies which meet certain requirements ("JMIS Specified Companies") for their consolidated financial statements. The regulatory rules and requirements for preparing JMIS consolidated financial statements are identical to those for the Designated IFRS.

Version of IFRS

IFRS as designated by the FSA ("Designated IFRS").

The Commissioner of the FSA designates those IFRS standards published by the IASB which are recognized as having been approved and issued through fair and reasonable due process and are expected to be considered as being fair and appropriate financial reporting standards from the viewpoint of investor protection and market integrity in Japan.

As of August 2015, all standards of IFRS have been designated by the FSA prior to their effective dates.

Are subsidiaries of foreign companies or foreign companies listed on local exchanges subject to different rules?

Yes. As per Article 129 of Regulations for Financial Statements, foreign companies listed in Japan are allowed to submit their financial statements which are disclosed in their home countries as long as the Commissioner of the FSA permits the treatment will not violate public benefits and investor protection.

Rules for statutory filings

Is IFRS or IFRS for SMEs required, permitted or prohibited for statutory filings?

The Specified companies are permitted to use the Designated IFRS for their consolidated financial statements ending on or after March 31, 2010 under the Companies Act.

IFRS is not permitted for standalone/ separate financial statements on statutory filings. In addition, IFRS for SMEs is not permitted for statutory filings.

Version of IFRS

IFRS as designated by the FSA ("Designated IFRSs"). See above.

In addition to local GAAP statutory financial statements, are there any other regulatory financial statement requirements that permit or require the use of IFRS?

No

IFRS conversion plans

Plans for converging

In June 2011, the Accounting Standards Board of Japan ("ASBJ": the Japanese standard setter) and the IASB announced their achievements under "The Tokyo Agreement" which targeted June 2011 to reduce differences in specific items between Japanese GAAP and IFRS. The ASBJ will continue its efforts to converge with IFRSs.

Other useful websites

Accounting Standards Board of Japan (“ASBJ”)

https://www.asb.or.jp/asb/top_e.do

Financial Services Agency (“FSA”)

<http://www.fsa.go.jp/en/index.html/>

The Japanese Institute of Certified Public Accountants (“JICPA”)

<http://www.hp.jicpa.or.jp/english/index.html/>

Tax information

Type of tax regime

Quasi-dependent. Taxable profit is principally based on the legal entity statutory accounts, under Japanese GAAP, with a number of adjustments provided in the tax law.

Plans for IFRS converging as the basis of tax reporting

The local tax authorities have not announced any adoption or convergence plans of tax reporting to IFRS or IFRS for SMEs.