

A large, abstract graphic of a network or sphere made of interconnected blue nodes and lines, positioned in the upper right background.

Japan

Accounting

FUNDS AND FUND MANAGEMENT 2009

Funds and fund management accounting requirements arise from the form of legal entity, its size, and makeup of its shareholders.

The legal framework of accounting requirements includes the following:

- Japanese Company Law
- Japanese Tax Code and related regulations
- Japanese Financial Instruments and Exchange Law (FIEL)
- Japanese branches of overseas companies follow the accounting rules of their head office except as Japanese regulatory filing requirements require otherwise.

1.1 Requirement to produce financial statements

Funds and fund management companies organized as Kabushiki Kaisha (KK) or Godo Kaisha (GK) must produce annual financial statements under the Company Law and a copy of the statutory accounts must be attached to the tax return. Listed funds and fund management companies file financial statements with the Financial Services Agency (FSA) and any stock exchanges they are listed on.

Requirement to maintain the books and records in the local jurisdiction

KPMG in Japan is not aware of a formal requirement to maintain books and records in Japan. However, since the company is subject to inspection by tax, FSA, and other regulatory bodies, KPMG in Japan is not aware of companies that do not maintain at least a copy of their books and records in Japan.

Production of financial statements by collective investment funds

Collective investment funds report at least quarterly to their investors with a full set of financial statements and business report required at each year-end.

Choice of period/year-end for collective investment funds

Collective investment funds year ends are not specified under the regulations.

Requirements for comparatives

Comparative financial statements are not required in statutory filings. However, FIEL reporting requires comparative information.

Restrictions on the currency under which financial statements must be prepared

There is no restriction on currency, but Japanese yen is the functional currency for nearly all companies operating in Japan.

Accounting publications specific to the funds industry (as issued by accounting bodies or the regulator)

There are no accounting publications specific to the funds industry issued in Japan. All funds must comply with disclosure requirements contained in the accounting standards issued by the Accounting Standards Board of Japan (ASBJ) and the Business Accounting Deliberation Committee (BADC).

Use of short form accounts

Not applicable.

Requirement to prepare a short report

Not applicable.

Umbrella schemes

No information.

1.2 Requirement to audit financial statements

Company Law requires an audit by independent auditors for companies whose capital exceeds JPY 500 million or whose debt exceeds JPY 20 billion. Listed companies must be audited.

1.3 Publication of financial statements

Large Japanese companies must publish their accounts in a newspaper annually.

1.4 Accounting standards

The accounting standards are set by the Company Law, tax regulations, ASBJ, BADC, and the FSA. JGAAP is also determined by pronouncements from the Business Accounting Deliberation Committee and other JICPA accounting research committees.

1.5 Contents of financial statements

The Company Law, tax regulations, FIEL regulations, and stock exchange listing requirements specify the contents of the financial statements.

1.6 Accounting treatments and disclosures

All funds in Japan, with the exception of mutual funds, SPC's (narrowly defined under Japanese Law), and limited investment partnerships must comply with JGAAP. The JICPA has issued additional disclosure requirements for these three types of funds.

Fund management companies including mutual fund investment companies, discretionary investment companies, and trust banks must also comply with JGAAP.

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