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### Feature Articles

This month's focus:

#### “Applying International Financial Reporting Standards (IFRS)”

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<b>IFRS Coming to Japan—2014 to mark increase in voluntary application—</b> .....	<i>Yoshihiro Nomura, CMA</i>	6
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So far in 2014, the number of Japanese companies already applying (or planning to apply) IFRS has increased to more than 40. Furthermore, ASBJ has taken the opportunity provided by the launch of IFRS to move forward with development of Japan's Modified International Standards (JMIS), where some standards are either deleted or revised, and it published an exposure draft in July 2014. We think this move is likely to bring benefits in the form of increased comparability with IFRS-compliant companies as Japanese companies yet to apply IFRS begin to adopt JMIS, which are not that different from IFRS.

<b>Keidanren Support to Increase Number of Entities Voluntarily Applying IFRS in Japan</b> .....	<i>Yoshiharu Obata</i>	12
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To increase the number of entities voluntarily applying IFRS Keidanren have been pursuing three major initiatives:

1. To strongly express our views regarding IFRS to the IASB.
2. To give various examples of how companies which have prepared for IFRS have overcome the interpretation and operation of IFRS in practice.
3. To support the development of Japan's Modified International Standards (JMIS).

We believe that, through such persistent efforts, the number of entities voluntarily applying IFRS in Japan will significantly increase in the near future.

<b>Mandatory IFRS Adoption : Cases of the EU, Canada, and Korea</b> .....	<i>Tokuei Sugimoto</i>	19
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Observing the actual short-term costs and benefits of mandatory IFRS adoption in the EU, Canada, and Korea is very useful. Moreover, the stance of institutions concerned in these countries towards setting IFRS is also instructive.

<b>Impact of IFRS Adoption on the Capital Market : Review and pilot test</b> .....	<i>Kento Inoue and Hiroyuki Ishikawa</i>	28
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Firstly, we briefly review prior studies examining the economic consequences of IFRS adoption on the capital market. Secondly, we conduct pilot tests using Japanese firms that voluntarily adopted IFRS. We find evidence that Japanese firms having a high R&D ratio, high debt ratio, and high foreign ownership adopt IFRS, and their implied cost of capital significantly increases following the announcement of IFRS adoption, but the significant difference in the implied cost of capital between firms adopting IFRS and control firms disappears by the time of the earnings announcement for the IFRS adoption period.

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