

Abstracts

A Change of the Accounting Standards Setting Mechanism in Japan

Seon-Bok Lee

The purpose of this paper is to examine how recent international developments in the area of IFRS adoption are impacting Japan's accounting standard-setting mechanism. The accounting standard-setting mechanism in Japan has traditionally been characterized by gradual, rather than rapid, change, and by a tendency to deal with conflicts of interest privately, rather than publicly. This paper addresses three hypotheses. These are that the further IFRS adoption proceeds: 1) The weaker becomes the authority of the accounting standard-setting body in each country; 2) The stronger become efforts to participate in and contribute to the international accounting standard-setting process; and 3) The stronger becomes coordination among domestic private-sector accounting standard-setting bodies and regulatory authorities. The findings of this study are summarized below.

First, Japan's accounting system is said to be a triangular one in which the Business Accounting Deliberation Council (BADC) was for a long period the dominant force in setting accounting standards. COFRI, which is viewed as the Japanese equivalent to the FASB, was launched in 1990. After 10 years of experience and study results, the ASBJ was eventually established as Japan's private-sector accounting standard-setting body. Second, convergence with international accounting standards is a key factor in determining domestic standards, but the actions of standard-setting bodies in regard to IFRS adoption revolve around concrete revision work undertaken by the ASBJ in a four-party mechanism that also includes the Financial Services Agency (Business Accounting Council) making political decisions based on recommendations by Nippon Keidanren and the Japan Institute of Certified Public Accountants. Furthermore, with the research phase ongoing, conditions had not been established for the forced application of new standards, so the ASBJ was not observed to have forfeited or lost any of its standard-setting authority. Third, regarding efforts to participate in and contribute to the international accounting standard-setting process, the ASBJ, reflecting Japan's status as the world's second-largest capital market, is participating in all facets of the IASC Foundation's organization and has made clear in other ways its desire to be an equal contributor to discussions surrounding the development of international accounting standards. Fourth, concerning coordination among accounting standard-setting bodies and regulatory authorities, there have been developments, like the 2009 establishment of the International Accounting Standards Committee, that evidence the coordination mechanism among the four parties mentioned above and are being watched for new indications of future directions.

Features of the Formation and Development Process, and Issues about, Local Industrial Accumulation: The Case of Kitakami City, Iwate Prefecture

Shinji Takahashi

This paper consists of three sections. In the first, it examines the formation and development process for industrial accumulation in Kitakami City by focusing mainly on that city's industrial promotion policies for attracting companies and supporting those that come. Under its policies for attracting companies, Kitakami has eagerly undertaken and established systems to support activities for bringing companies to the area. It has also enhanced enticements and support systems to encourage companies to go into there. Under its policies for supporting companies that come, Kitakami has actively followed up with those companies and endeavored to help them get their operations off the ground. More specifically, the city has worked to support production through industry/academia/government cooperation and taken steps to train workers in order to advance mold and other fundamental technologies. Furthermore, city officials have met with company representatives to gather information on their needs and what they see as issues that need to be addressed. Through such unique initiatives as these, Kitakami has managed to differentiate itself from other locales, and succeeded in not only convincing numerous companies to go into there but also preventing companies from leaving.

The second section of this paper uses information from media coverage and interviews with local companies to examine recent developments in Kitakami's industry. Both of those sources of information have indicated that industry in Kitakami has faced the same difficult economic and employment conditions confronting the Japanese economy in general. Companies in Kitakami, however, have been able to accurately gauge their situations and make flexible adjustments in production and training activities.

Looking at its present and future industrial development needs, Kitakami is concentrating on ways to further strengthen and develop the two key policies of attracting companies to its area and supporting them. One of its chief concerns in that light is the supply of a competent, capable work force. The third section of this paper focuses on that challenge and raises a few issues for Kitakami to address in terms of worker education, the transfer of skills, and the provision of young workers.

Why a Globalizing Corporate Culture *still* Inhibits Localization of Management: The Yaohan Case

Heung Wah Wong

This paper examines the social process in which the inequality between the Japanese expatriates and local staff of the Hong Kong subsidiary of a Japanese supermarket, Yaohan Hong Kong is signified as, and justified by, ethnicity. Once established as a cultural category, ethnicity had become a general social principle whereby both the Japanese and local employees organized the everyday life of the company, which further naturalizes the monopoly of the company's management by Japanese expatriates. It is this social process that makes the localization of Japanese overseas subsidiaries difficult. This paper suggests that this social process should be studied carefully.

Buyout of Corporate Pension Plans after the Financial Crisis: The Future of Corporate Pension Plans

Aishi Imafuku

The global financial crisis that began in 2008 not only imperiled the global economic system but also pushed various other systems to the brink of collapse. Public and private pension systems throughout the world were no exception. The danger befalling corporate pension plans, in particular, was described as a pension crisis, and how to restructure corporate pension plans became a key question.

This paper surveys and explores the meaning of new international developments among corporate pension plans. Two points characterize these new developments. The first is a reassessment of the various aspects defining corporate pension plans. The insurance aspect of corporate pension plans has found a renewed appreciation for its importance and it is once again as much the focus of interest as the social security, delayed compensation, financial asset, and accounting standard aspects. Given that renewed appreciation, how corporate pension plans will be restructured is a key question.

This development raises the question of how the sustainability of pension plans can be guaranteed amid the various risks they face. Two key risks are investment risk and the longevity risk.

The second point, which has to do with a response to the above, is the buyout of pension funds by insurance companies. These buyouts can also be seen as the building of a system for transferring, the risk inherent in corporate pension plans from the plan sponsor to the insurance company. Though pension plan buyouts do not yet pose a specific problem, the upsides and downsides seem ripe for discussion in the US. A comprehensive report on questions surrounding pension fund buyouts was issued by the US GAO (General Accountability Office) in 2009 and is a significant window on the future of corporate pension plans.

It is hoped that this paper can shed some light on the new phase corporate pension plan restructuring efforts are entering both in Japan and abroad.

Issues Related to Going Concern's Ability Audits

Kiyoshi Aoyagi

Outside audits provide assurance for the reliability of financial statements, and the audit standards governing their performance, together with accounting standards, comprise important infrastructure for the proper disclosure of information. The audit standards presently applied in Japan were originally issued in 1950 and updated and revised numerous times thereafter. Between 2002 and 2005, Japan's audit standards underwent a comprehensive revision to better cope with factors like the internationalization of capital markets and business activities, advancements in information technology, the need to properly expose improprieties, and the increasingly sophisticated information needs of investors. These revised audit standards can be called revolutionary for their risk approach, the way they deal with the going concern premise, and their forthright treatment of the relationship between internal controls and audits. I strongly believe, however, that it is difficult to consider that these revised standards provide everything that is needed for the performance of audit work. This paper highlights both the strengths and weaknesses of Japan's revised audit standards and considers key points for further improvement.

Have the Japanese changed the working style under performance-based HRM

Hiroshi Iwade

In the past, Japanese companies generally used a skill-based grade system – an employee-oriented skill-based HR system aimed at compensating employees for the level of their professional skills. The collapse of the economic bubble in early 1990, however, pointed to the need for fundamental change in Japanese HRM practices. As a result, an increasing number of companies have switched to a job-grade system – a job-oriented performance-based HR system that compensates employees based on their job requirements and levels of job achievement. The shift to performance-based HR systems has accelerated since the mid-1990s in particular, but these systems, though still job-oriented, are not the orthodox American-style job grade system but a Japanese variant in the form of a mission grade system.

Behind the development of this hybrid was the desire to respond to the need to fundamentally change employee compensation from the traditional fixed scheme to one that varies depending on performance and to do so in a way that overcomes the American-style job grade system's weaknesses in motivating employees by continuing to motivate employees under the traditional skill-based grade system.

Going against the expectation that a performance-based HR system presents an opportunity to overcome the downside of the traditional employee motivation approach – long working hours – this paper attempts to find within the mission grade system mechanism some evidences that the mission grade system's employee motivation approach conversely promotes long working hours.

A Methodological Study of Management Philosophy: On the Viewpoint of Dynamic Process of ‘Succession and Diffusion’

Izumi Mitsui

The purpose of this paper is to present business anthropology as a new approach for studying management philosophies and to describe a case study that applies this approach.

Management philosophies (Keiei Rinen) are generally viewed as an expression of a company founder’s values or creed, or a company’s guiding principles, and have been the subject of much research in Japan. These studies vary in terms of their definitions and approaches, but all interpret management philosophies as constants handed down by founders or other key figures. Management philosophies, in other words, have been uniformly treated as unchanging official pronouncements reproduced as is in company histories and internal communications. This is also true of research on the organizational penetration of management philosophies, which is now the subject of much attention.

That said, however, it cannot be denied that as words are internalized by an organization, their acceptance by society involves interpretation and reinterpretation in light of various contemporary influences. Through this process of interpretation and reinterpretation, the impact of these words eventually reaches the psychological factors of individuals within the organization. At that point, the organization has come to embrace the management philosophy, which is then manifested in concrete actions. It is thought that the real status of a management philosophy cannot be known until the dynamic process underlying the development of that philosophy is made clear.

Participant observation of an organization plays a critical role in clarifying this process. We have proposed the academic research approach of business anthropology performed by management scientists, anthropologists, and sociologists, and have used it in participant observation of company organizations. This paper begins with a description of how studies of management philosophy have changed in Japan, moves on to a presentation of the defining characteristics of our unique business anthropology research approach, and then reviews a case study to provide a clear picture of the aspects of management philosophy that can be illuminated through this approach.

**Issues and Perspectives of Conceptual Framework
for Financial Reporting:
The Development of IASB's Disclosure Model
on Management Commentary**

Osamu Furusho

US-style MD&A, which takes a rule-based approach and has come to incorporate securities market disclosure regulations to support investment decision-making, and UK-style OFR, which takes a principles-based approach, are two very different but accepted types of disclosure models focusing on the presentation of narrative information. This paper examines the development and characteristics of the MC-style disclosure model, which the IASB is promoting, in light of discussions surrounding the conceptual framework of financial statements.

Narrative information disclosure has been explained as a function supplementing financial statements. However, if narrative information is still viewed as nothing more than an explanatory tool subordinate to the financial statements, as it was when narrative information was made a formal requirement in the 1980s, changes to the supplementary function of narrative information and the shift in the focus of disclosure regulations demand a reconsideration of the significance of narrative information.

This paper explains how the function expected to be played by the MC-style disclosure model changed from supplementing to complementing financial statements, and the significance of the fact that the development of financial statements and the issues surrounding the disclosure of narrative information in the MC format began from the same basic conceptual framework for financial reporting. In doing so, it takes the perspective that narrative information is not simply a desirable addendum but an indispensable element of the financial reporting framework and that, in combination with financial statements, fulfills the objectives of financial reporting.

Time Series Analysis of Asset Prices Using G@RCH

Hidetoshi Mitsui

When analyzing financial markets – in particular, when performing time-series analysis, it is necessary to consider the possibility that financial data series may be nonlinear. Models hypothesizing traditional linearity cannot be applied to nonlinear data series. In recent years, advances in packaged software have made it possible to easily estimate nonlinear models. Nonlinear models can be estimated with little more effort than gathering the data. Statistical analysis software can often be easily used without having to understand estimation methods and other details of statistical theory. There have also been cases in which a lack of understanding of theoretical models even among those who develop statistical analysis software has resulted in numerous cases of misuse and misunderstanding. This study begins with a simple survey of the G@RCH statistical analysis software package, which is capable of estimating ARCH (autoregressive conditional heteroskedasticity) and other nonlinear models to shed light on its characteristics and determine the extent to which it can be used for time series analysis of financial data. G@RCH can make use of highly sophisticated time series models and is valued for its wide applicability to studies of financial markets. Statistical analysis software is rarely examined by statistical experts and is widely used even if it includes mistakes by developers. This study focuses in particular on the GJR model, which is frequently used for research.

The Significance of 5S Activities at Companies

Shin Ohmori

The purpose of this study is to look at companies making a concerted effort to employ the 5S approach and to shed light on the significance of doing so. More specifically, this study focuses on the awareness gained by organization members via 5S. Furthermore, it describes the differences that characterize 5S-based awareness and considers the significance of introducing the 5S approach.

The analysis performed for this study produced two conclusions. The first is that the 5S approach gives rise to diversity in thinking by standardizing the behavior of organization members. 5S, in other words, can lead to different ways of thinking by making behavior take a certain shape. This paper concludes, therefore, that for companies the significance of implementing the 5S approach is found in the greater diversity of thinking to be had in exchange for greater efforts to implement it. The second conclusion of this study is that the 5S approach improves communication by standardizing the behavior of organization members. Employees of the companies examined for this study displayed both diversity in thinking and a strong sense of unity throughout their organizations. They felt affinity for others whose behavior was similar to their own and tried to take on the values of their peers as their own.

The significance of pursuing the 5S approach, therefore, lies in the ability to produce diverse thinking within an organization by standardizing behavior, or emphasizing certain conduct, and in fostering camaraderie. The importance of the existence of certain valued behavior within an organization is implied. And the need for common behavior, not common thinking, as an organizational cornerstone is suggested.