Editorial

Akihiro Yamada*

Chuo University,
Higashinakano742-1, Hachioji, Tokyo,
192-0393, Japan
Email: yamada@tamacc.chuo-u.ac.jp
*Corresponding author

Aida Sy

School of Business,
Farmingdale State College at State University of New York,
2350 Broadhollow Road, Farmingdale, New York 11735, USA
Email: Sya@farmingdale.edu
Email: Aida.sy1776@gmail.com

Biographical notes: Akihiro Yamada is an Associate Professor of Accounting at the Chuo University in Tokyo, Japan. He holds a PhD from the Nagoya City University. His research interest are in financial accounting include earnings management, management forecast, tax management and corporate governance. He has published articles in academic journals such as *Pacific-Basin Finance Journal*, *Research in International Business and Finance*, *Advances in Quantitative Analysis of Finance and Accounting*, and *Asian Review of Accounting*.

Aida Sy obtained her PhD with first class honours from the Sorbonne. She holds a Master's, Bachelor's and a degree in Chief Manager. She teaches Accounting at the Farmingdale State College, SUNY USA, edits and co-edits four refereed journals. She was a plenary speaker, speaker, Chair and discussant in the USA and international conferences. She is a member of the American Accounting Association. She has numerous publications in refereed journals and two books.

Japan began its early modernisation in the 1600s, period known as the foundation of Tokugawa shogunate. This period lasted until the 1700s and was followed by the Meiji Restoration (1868–1912), which is the period of industrialisation. The economic sector grew. During the Tokugawa shogunate, Japan encouraged and developed the agricultural sector considerably. Consequently, large centres of urban development were created such as Kyoto, Osaka and Edo. The country produced silk, cotton fabrics, porcelain, other manufacturing companies in paper industry and sake brewing. Trade grew faster. The mercantile activity increased the wholesales and exchange brokers. Japan made economic, social reforms during the Meiji period. The government moved from an agricultural to industrial system. Its goals focused on putting up strategic industries, transportation and systems of communication. Japan understood that the development of infrastructures is vital to economic development. Japan built its first railroad in 1872. Telegraph lines (1882) were developed in order to setup a better communication network

between cities. The government enhanced private firms through a financial and banking support. Japan benefited from European and US nations during this Meiji period. Japan built industries such as shipyards, iron smelters, and spinning mills, which were then sold to well-connected entrepreneurs. Until present days, Japan continues to develop a strong management system.

The economic and accounting environment surrounding Japanese companies is characterised by the following:

1   disclosure of management's earnings forecasts is effectively mandated

2   monitoring, mainly by banks, is an important factor in corporate governance

3   Japan has developed its own accounting system and has made dramatic changes to its accounting system in order to reduce the differences with the US GAAP and IFRS.

Many of the studies in this special issue successfully take advantage of these Japanese settings.

The first three papers focus on managerial earnings forecasts, a unique disclosure system in Japan. First, Yamada's 'Do managers mimic rivals' forecast revisions? Evidence from Japan' analyses the mechanism of managerial earnings forecast revisions in Japan, focusing on the relationship with other companies. The study proposes the Harding hypothesis that management forecast revisions are made by referring to those of other companies, and the results of the analysis are consistent with the hypothesis.

Secondly, in 'Predisposed opportunities: incentives for earnings forecasts revision by management under the Japanese 'Timely Disclosure Rules'' by Tazawa and Tashiro, they argue that while management earnings forecast disclosure is effectively mandated on a quarterly basis in Japan, they are only required to revise those when certain thresholds are exceeded. They show that:

1   larger forecast revisions are made in the quarter than at the end of the fiscal year

2   companies that make more revisions in the quarter also make fewer revisions at the end of the fiscal year

3   companies that make smaller revisions have higher forecast accuracy.

Ishiguro and Yamada's 'Overconfident CEOs, decentralisation, and tax aggressiveness: evidence from Japan' is also an analysis that uses earnings forecast disclosure in Japan. By focusing on the tendency of management's earnings forecast disclosure, they identify the overconfidence of management and analyse whether it is related to the tax avoidance behaviour of Japanese companies. The results of their analysis revealed that companies with CEO overconfidence engage in more aggressive tax avoidance behaviour, and that the effect of CEO overconfidence is more pronounced in parent companies that are directly managed by the CEO.

Next, Takasu's 'Relationships among earnings quality, bank monitoring, and cost of bank loans: evidence from Japan' is a study focusing on bank monitoring. He hypothesises and tests how bank monitoring affects the relationship between earnings quality and the cost of bank loans. He finds that total earnings quality, innate earnings quality generated from economic fundamentals, and discretionary earnings quality driven by managerial discretion over accounting affect the cost of bank loans. Additionally, he finds that bank monitoring mitigates the effect of discretionary earnings quality on loan pricing.

Isokawa's 'Long-term comparability of accounting information in Japan' investigates the long-term comparability of accounting systems that have developed independently in Japan. The study period includes a period of dramatic changes in Japanese accounting standards due to convergence with IFRS. His research shows, rather, that comparability has declined over time in Japan.

Finally, 'The application of deep learning to predict corporate growth' by Ushio and Yamamoto is a remarkable study of the application of deep learning to accounting. An algorithmic model is constructed to identify growing (as well as non-growing) companies based on a snapshot (single year) of financial data without a time series. The binary classification model predicts whether sales will increase in the following year for 353 retail companies in the Tokyo Stock Exchange 33 sector category in Japan, by utilising all available items in their balance sheets and profit/loss statements (308 numerical values) as well as the size of the companies. As a result, the model achieves 74.79% classification accuracy.