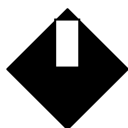

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September 30, 2010

Financial Accounting Standards Board
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Comments on the Exposure Draft of Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

To the Board Members:

The Japanese Institute of Certified Public Accountants (JICPA) is the sole organization for certified public accountants in Japan. We operate in a transparent and neutral manner as a self-disciplinary association for the accounting profession.

We are pleased to comment on the proposed Accounting Standards Update, "*Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*" ("ED") issued by Financial Accounting Standards Board (FASB), in response to the International Accounting Standards Board (IASB)'s invitation for comments released on May 27, 2010. Among the questions raised by the FASB, we comment on questions related to overall matters as well as those related to auditors and preparers, but not on questions related to the users of financial statements.

We strongly hope that the convergence of international accounting standards in the complex but important area of accounting for financial instruments will be accomplished. However, we have a strong concern, particularly with regard to the classification and measurement of financial assets by, the FASB which proposes a completely different classification criteria and accounting processing for equity and debt

instruments, despite the fact that the IASB has already issued IFRS 9 “*Financial Instruments*” with appropriate due process.

The following is our response to the items in 'invitation to comment' with which we disagree or have questions or concerns.

Scope

Question 4

The proposed guidance would require an entity to not only determine if they have significant influence over the investee as described currently in Topic 323 on accounting for equity method investments and joint ventures but also to determine if the operations of the investee are related to the entity’s consolidated business to qualify for the equity method of accounting. Do you agree with this proposed change to the criteria for equity method of accounting? If not, why?

Comment:

We do not agree with the proposed requirement, since a judgment on whether or not operations of the investee are relating to the entity's consolidated business may significantly differ depending on the entity and their business practices. We believe that the proposed requirement will not increase comparability or improve the quality of financial reporting. The equity method should be applied to entities with significant influence, consistent with the current practice and as required in IFRSs.

Initial Measurement

Question 10

Do you believe that there should be a single initial measurement principle regardless of whether changes in fair value of a financial instrument are recognized in net income or other comprehensive income? If yes, should that principle require initial measurement at the transaction price or fair value? Why?

Comment:

We do not agree with the proposal that there should be a single initial measurement principle. We believe that accounting in which changes in fair value are recognized in other comprehensive income is based on the notion that such accounting better presents a business strategy for the collection of contractual cash flows. As there are cases in which business strategy is more appropriately presented with inclusion of transaction

costs into acquisition price, as an adjustment of the yield, we believe that the single initial measurement is not necessary.

Question 12

For financial instruments initially measured at the transaction price, do you believe that the proposed guidance is operational to determine whether there is a significant difference between the transaction price and fair value? If not, why?

Comment:

We do not think this proposal is operational. For instance, we believe it is necessary to add more examples of "reliable evidence" and expand implementation guidance related to the judgment criteria of "significant difference" .

Subsequent Measurement

Question 13

The Board believes that both fair value information and amortized cost information should be provided for financial instruments an entity intends to 10 hold for collection or payment(s) of contractual cash flows. Most Board members believe that this information should be provided in the totals on the face of the financial statements with changes in fair value recognized in reported stockholders' equity as a net increase (decrease) in net assets. Some Board members believe fair value should be presented parenthetically in the statement of financial position. The basis for conclusions and the alternative views describe the reasons for those views. Do you believe the default measurement attribute for financial instruments should be fair value? If not, why? Do you believe that certain financial instruments should be measured using a different measurement attribute? If so, why?

Comment:

We do not agree. We do not believe that the default measurement for all financial instruments should be fair value. For the following financial instruments, the measurement should be amortized cost rather than fair value:

(1) those financial assets, as per the business model of the entity, held only for collection of contractual cash flows, and such contracts that generate cash flows derived only from payments of the principal and interest on the principal balance on the specified date;

(2) financial liabilities, other than derivatives

In the former case, price fluctuation risk is not effectively required to be recognized in the financial statements considering the business model of the entity and the conditions of the contract. In the latter case, there may be a possibility of restrictions in light of business operations, to freely settle financial liabilities at a fair value. We are afraid that, in cases other than those with an accounting mismatch, the recognition of these financial assets and liabilities at fair value in the statement of financial position may reduce the understandability of the financial position in line with the business model of the entity.

Question 14

> The proposed guidance would require that interest income or expense, credit impairments and reversals (for financial assets), and realized gains and losses be recognized in net income for financial instruments that meet the criteria for qualifying changes in fair value to be recognized in other comprehensive income. Do you believe that any other fair value changes should be recognized in net income for these financial instruments? If yes, which changes in fair value should be separately recognized in net income? Why?

Comment:

We do not agree.

Further to our response to Question 13, we believe that the financial instruments that are the subject of the question should be measured at amortized cost and changes in fair value other than those of amortized cost should not necessarily be recognized in the financial statements.

Question 15

> Do you believe that the subsequent measurement principles should be the same for financial assets and financial liabilities? If not, why?

Comment:

We do not agree with the proposed requirement that the subsequent measurement principles should be the same for financial assets and financial liabilities.

Since there are many cases where financial assets can be sold without restrictions by entities, they should be subsequently measured at amortized cost, only in cases when the requirements of the business model and the conditions of the contract are satisfied. On the other hand, for financial liabilities other than derivatives, as there may be a

likelihood of restrictions related to business operations to freely settle, subsequent measurement with fair value should be allowed only for cases with an accounting mismatch.

Question 16

The proposed guidance would require an entity to decide whether to measure a financial instrument at fair value with all changes in fair value recognized in net income, at fair value with qualifying changes in fair value recognized in other comprehensive income, or at amortized cost (for certain financial liabilities) at initial recognition. The proposed guidance would prohibit an entity from subsequently changing that decision. Do you agree that reclassifications should be prohibited? If not, in which circumstances do you believe that reclassifications should be permitted or required? Why?

Comment:

We do not agree with prohibition of the reclassifications.

We believe that financial assets should be reclassified only when an entity changes its business model, since it provides users of financial statements with useful and relevant information to set a policy for the recognition of changes in fair value of financial assets in net income, consistent with the business model of the entity.

Question 17

The proposed guidance would require an entity to measure its core deposit liabilities at the present value of the average core deposit amount discounted at the difference between the alternative funds rate and the all-incost- to-service rate over the implied maturity of the deposits. Do you believe that this remeasurement approach is appropriate? If not, why? Do you believe that the remeasurement amount should be disclosed in the notes to the financial statements rather than presented on the face of the financial statements? Why or why not?

Comment:

We do not agree with neither of the proposed remeasurement approach nor requirement for disclosure in the notes. We do not believe that the remeasurement approach of core deposit liabilities in the proposed guidance is appropriate.

We believe that financial liabilities should be measured at amortized cost, based on the contractual liabilities, as we believe this will provide users of financial statements with

the most useful, transparent and relevant information.

Question 18

> Do you agree that a financial liability should be permitted to be measured at amortized cost if it meets the criteria for recognizing qualifying changes in fair value in other comprehensive income and if measuring the liability at fair value would create or exacerbate a measurement attribute mismatch? If not, why?

Comment:

We do not agree.

Further to our response to Question 13, we believe that it is desirable to use amortized cost for the measurement of financial liabilities, and that only in cases of an accounting mismatch should fair value be used for subsequent measurements.

Question 20

> Do you agree that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to a debt instrument measured at fair value with qualifying changes in fair value recognized in other comprehensive income in combination with other deferred tax assets of the entity (rather than segregated and analyzed separately)? If not, why?

Comment:

We do not specifically comment on this since we believe financial instruments that are the subject of the question should be measured in principle at the amortized cost and therefore, proposal would not be necessary.

Question 21

The Proposed Implementation Guidance section of this proposed Update provides an example to illustrate the application of the subsequent measurement guidance to convertible debt (Example 10). The Board currently has a project on its technical agenda on financial instruments with characteristics of equity. That project will determine the classification for convertible debt from the issuer's perspective and whether convertible debt should continue to be classified as a liability in its entirety or whether the Board should require bifurcation into a liability component and an equity component. However, based on existing U.S. GAAP, the Board believes that convertible debt would not meet the criterion for a debt instrument under paragraph 21(a)(1) to qualify for changes in fair value to be recognized in other comprehensive income because the principal will not be returned to the creditor (investor) at maturity or other settlement. Do you agree with the Board's application of the proposed subsequent measurement guidance to convertible debt? If not, why?

Comment:

We do not specifically comment on this since we believe financial instruments that are the subject of the question should be measured in principle at the amortized cost and therefore, proposal would not be necessary.

Question 28

Do you believe that the proposed criteria for recognizing qualifying changes in fair value in other comprehensive income are operational? If not, why?

Comment:

We do not specifically comment on this since we believe financial instruments that are the subject of the question should be measured in principle at the amortized cost and therefore, proposal would not be necessary.

Question 29

> Do you believe that measuring financial liabilities at fair value is operational? If not, why?

Comment:

We do not specifically comment on this since we believe financial instruments that are the subject of the question should be measured in principle at the amortized cost and therefore, proposal would not be necessary.

Question 30

> Do you believe that the proposed criteria are operational to qualify for measuring a financial liability at amortized cost? If not, why?

Comment:

We do not specifically comment on this since we believe financial instruments that are the subject of the question should be measured in principle at the amortized cost and therefore, proposal would not be necessary.

Question 31

> The proposed guidance would require an entity to measure its core deposit liabilities at the present value of the average core deposit amount discounted at the difference between the alternative funds rate and the all-incost- to-service rate over the implied maturity of the deposits. Do you believe that this remeasurement approach is operational? Do you believe that the remeasurement approach is clearly defined? If not, what, if any, additional guidance is needed?

Comment:

We do not agree.

We do not believe that this remeasurement approach is operational as a measurement in the statement of financial position.

Even if additional guidance were to be provided, we would expect an increase in comparability of financial statements among entities since the determination of the alternative funds rate and the core deposit all-in-cost-to-service rate over the implied maturity would depend significantly on the judgment of the entity’s management.

Presentation

Question 32

For financial liabilities measured at fair value with all changes in fair value recognized in net income, do you agree that separate presentation of changes in an entity's credit standing (excluding changes in the price of credit) is appropriate, or do you believe that it is more appropriate to recognize the changes in an entity's credit standing (with or without changes in the price of credit) in other comprehensive income, which would be consistent with the IASB's tentative decisions on financial liabilities measured at fair value under the fair value option? Why?

Comment:

We do not agree with the FASB's proposal. We believe that the IASB's proposal is appropriate since the recognition of the changes in an entity's credit standing regardless of changes in the price of credit in other comprehensive income is required.

According to the FASB's proposal, when the majority of assets are measured at fair value, in the case of entities such as financial institutions, most financial liabilities, other than core deposits, will be measured at fair value, and changes in fair value will be recognized in the profit or loss. However, as there are many cases where there are restrictions over business operations to freely settle financial liabilities at fair value, and as the credit standing of financial liabilities may not be necessarily realized in cash, we believe it is not appropriate, for the faithful presentation of the results of the entity's business operations, to recognize change in the fair value of financial liabilities in profit or loss, in the same way as for financial assets.

Question 33

Appendix B describes two possible methods for determining the change in fair value of a financial liability attributable to a change in the entity's credit standing (excluding the changes in the price of credit). What are the strengths and weaknesses of each method? Would it be appropriate to use either method as long as it was done consistently, or would it be better to use Method 2 for all entities given that some entities are not rated? Alternatively, are there better methods for determining the change in fair value attributable to a change in the entity's credit standing, excluding the price of credit? If so, please explain why those methods would better measure that change.

Comment:

We do not agree with neither Method 1 nor Method 2. We believe that the IASB's tentative proposal is appropriate, which recognizes changes in fair value other than those of financial liabilities attributable to interest rate fluctuation in other comprehensive income.

While Method 1 would be easier to adopt in practice than Method 2, the problem with Method 1 lies in that it does not take into consideration certain circumstances particular to the reporting entities. Although Method 2 appears to be more theoretical than Method 1, it has problems such as the scope of other entities in the same industry is not clear, and it does not take into consideration entities having certain characteristics that are difficult to compare with the characteristics of other entities in the same industry.

For these reasons, we believe that the IASB's proposal is appropriate. The IASB's proposal for IFRS 7, *Financial instruments: Disclosures,* is more practical and simple in calculation compared to the FASB's proposal, since the IASB's proposal defines it as the total change in fair value, not as changes caused by market interest rate fluctuation. Also clear separation of credit risk from other risks such as liquidity risk may not be possible as stated in the FASB's proposal.

Question 34

The methods described in Appendix B for determining the change in fair value of a financial liability attributable to a change in an entity's credit standing (excluding the changes in the price of credit) assume that the entity would look to the cost of debt of other entities in its industry to estimate the change in credit standing, excluding the change in the price of credit. Is it appropriate to look to other entities within an entity's industry, or should some other index, such as all entities in the market of a similar size or all entities in the industry of a similar size, be used? If so, please explain why another index would better measure the change in the price of credit.

Comment:

We do not agree with the methods described in Appendix B, as stated in our response to Question 33.

Credit Impairment

Question 38

The proposed guidance would require an entity to recognize a credit impairment immediately in net income when the entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amounts originally expected to be collected for purchased financial asset(s). The IASB Exposure Draft, Financial Instruments: Amortised Cost and Impairment (Exposure Draft on impairment), would require an entity to forecast credit losses upon acquisition and allocate a portion of the initially expected credit losses to each reporting period as a reduction in interest income by using the effective interest rate method. Thus, initially expected credit losses would be recorded over the life of the financial asset as a reduction in interest income. If an entity revises its estimate of cash flows, the entity would adjust the carrying amount (amortized cost) of the financial asset and immediately recognize the amount of the adjustment in net income as an impairment gain or loss. Do you believe that an entity should immediately recognize a credit impairment in net income when an entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amounts originally expected to be collected for purchased financial asset(s) as proposed in this Update, or do you believe that an entity should recognize initially expected credit losses over the life of the financial instrument as a reduction in interest income, as proposed in the IASB Exposure Draft on impairment?

Comment:

We agree with and prefer the FASB's proposal.

We consider the FASB's proposal to be more desirable than the IASB's proposal, mainly because the IASB model may be difficult to adopt in practice, as discussed at the Expert Advisor Panel (EAP). However, we have a concern with the FASB proposal from a cost/benefit point of view, since it may cause a significant change in practice. This is due to the fact that it requires recognition of interest earned by multiplying the balance, after impairment deduction, by the effective interest rate.

Question 42

If a financial asset that is evaluated for impairment on an individual basis has no indicators of being individually impaired, the proposed guidance would require an entity to determine whether assessing the financial asset together with other financial assets that have similar characteristics indicates that a credit impairment exists. The amount of the credit impairment, if any, would be measured by applying the historical loss rate (adjusted for existing economic factors and conditions) applicable to the group of similar financial assets to the individual financial asset. Do you agree with this requirement? If not, why?

Comment:

We agree, but have concerns with (a) Paragraph 39 of the ED, which states that "... shall not wait until a credit loss is probable to recognize a credit impairment.", and (b) Paragraph 42, which states that "... shall consider all available information relating to past events and existing conditions and their implications for the collectibility of the cash flows attributable to the financial asset(s) at the date of the financial statements. These conditions encompass both economic conditions and factors specific to the borrower or issuer of a financial asset that exist at the date of the financial statements," and "... an entity shall assume that the economic conditions existing at that point in time would remain unchanged for the remaining life of the financial assets. An entity shall not forecast future events or economic conditions that did not exist at the reporting date in determining whether a credit impairment exists."

Since these sentences do not provide clear explanation of the differences from the current practice, the FASB, as a standard-setting body, should provide appropriate clarification.

Question 46

> The proposed guidance would require that in determining whether a credit impairment exists, an entity consider all available information relating to past events and existing conditions and their implications for the collectibility of the cash flows attributable to the financial asset(s) at the date of the financial statements. An entity would assume that the economic conditions existing at the end of the reporting period would remain unchanged for the remaining life of the financial asset(s) and would not forecast future events or economic conditions that did not exist at the reporting date. In contrast, the IASB Exposure Draft on Impairment proposes an expected loss approach and would require an entity to estimate credit losses on basis of probability-weighted possible outcomes.
> Do you agree that an entity should assume that economic conditions existing at the reporting date would remain unchanged in determining whether a credit impairment exists, or do you believe that an expected loss approach that would include forecasting future events or economic conditions that did not exist at the end of the reporting period would be more appropriate? Are both methods operational? If not, why?

Comment:

We believe that both methods are operational.
However, we support the FASB's proposal that an entity should assume that economic conditions existing at the reporting date would remain unchanged in determining whether a credit impairment exists. This approximates the current practice and the implementation costs will be relatively low. On the other hand, we are concerned that the IASB's proposal involves considerable subjectivity, considering the matter of comparability between entities. Notwithstanding the above, we do have concerns, as stated in our response to Question 42.

Interest Income

Question 50

> The proposed guidance would permit, but would not require, separate presentation of interest income on the statement of comprehensive income for financial assets measured at fair value with all changes in fair value recognized in net income. If an entity chooses to present separately interest income for those financial assets, the proposed guidance does not specify a particular method for determining the amount of interest income to be recognized on the face of the statement of comprehensive

income. Do you believe that the interest income recognition guidance should be the same for all financial assets?

Comment:

We do not agree.

We do not believe that the interest income recognition guidance should be the same for all financial assets, as we believe interest income recognition models differ depending on classification of financial assets. Even in cases of financial assets in the same classification group, these differ by their characteristics, acquisition methods and other factors.

Question 51

Do you believe that the implementation guidance and illustrative examples included in this proposed Update are sufficient to understand the proposed credit impairment and interest income models? If not, what additional guidance or examples are needed?

Comment:

We do not believe they are sufficient.

In addition to the implementation guidance and illustrative examples included in the ED, we believe it is useful to provide implementation guidance and illustrative examples presuming variable interest rates, in order to facilitate a better understanding.

Hedge Accounting

Question 56

Do you believe that modifying the effectiveness threshold from highly effective to reasonably effective is appropriate? Why or why not?

Comment:

We consider that modifying the threshold from highly effective to reasonably effective is appropriate, but our concerns are as stated in (1) and (2) below.

We believe that such a modification from highly effective to reasonably effective will reduce the burden in practice caused by quantitative analyses that are currently required to fulfill the requirements for being highly effective. This will also allow the actual state of economic hedging relationship to be reflected in accounting, and lessen the increased burden in practice caused by the elimination of concepts of the shortcut method and the critical terms match method for interest rate swaps. We are of the opinion that abolition

of the bright line will generally contribute to the reduction of structuring opportunities to ensure hedge effectiveness. Nevertheless, we have the following concerns:

(1) when presenting the basis that the hedging instrument is reasonably effective in offsetting the changes in the hedged item caused, there is a concern that the requirement for documentation to reflect the actual conditions of transactions, including the identification of sources of volatility associated with the fair value of the hedged item or the cash flows of the forecasted transaction and of the factors supporting a conclusion that the hedging instrument is reasonably effective in offsetting changes in the hedged item's fair value or the variability in the hedged cash flows over the life of the hedging relationship, may become a burden in practice; and
(2) we have a concern related to the effectiveness of auditing related to the validity of hedge effectiveness when the bright line is abolished.

Question 57

Should no effectiveness evaluation be required under any circumstances after inception of a hedging relationship if it was determined at inception that the hedging relationship was expected to be reasonably effective over the expected hedge term? Why or why not?

Comment:
We do not believe that no effectiveness evaluation should be required under any circumstances.
Even when it has been determined at inception that hedge effectiveness is expected to be reasonably effective over the expected hedge term, there is a possibility of change in circumstances that makes the hedging relationship no longer reasonably effective for offsetting. In order to recognize such changes in circumstances in a timely manner, and to reflect it in accounting processing, we believe that regular effectiveness evaluations should be required as in the current practice, rather than requiring effectiveness evaluations only when there is a trigger. Therefore, we believe that effectiveness evaluations should not be required under any circumstances after designating the hedging relationship.

Question 58

Do you believe that requiring an effectiveness evaluation after inception only if circumstances suggest that the hedging relationship may no longer be reasonably effective would result in a reduction in the number of times hedging relationships would be discontinued? Why or why not?

Comment:

We do not believe it will reduce the number of times that hedging relationships will be discontinued.

We consider that regular determination of effectiveness is required after inception, as in current practice, to monitor, in a timely manner, the change in circumstances that causes hedging relationship to be no longer reasonably effective. In this respect, we do not believe that the proposal in the ED will reduce the number of times that hedging relationships will be discontinued.

Question 61

Do you foresee any significant operational concerns or constraints in calculating ineffectiveness for cash flow hedging relationships? If yes, what constraints do you foresee and how would you alleviate them?

Comment:

We oppose to the proposed requirement of special accounting for the ineffectiveness in case of underhedges, since there is no consistency with ordinary accounting without hedging relationship. In other words, the recognition and measurement of the ineffectiveness should only be required for cases of overhedges.

This ED proposes measurement of the ineffectiveness, not only of overhedges but of underhedges, although the current standards (Topic 815) require calculation of ineffectiveness of cash flow hedge only in cases of overhedges. However, in the case of cash flow hedge in which the hedged item is a non-financial instrument, if hedging is not designated, the non-financial instrument will be accounted for based on ordinary accounting standards, whereas if hedging is designated, a different accounting treatment will be required. This is not desirable given the need to maintain consistency of accounting treatments.

Question 62

> Do you foresee any significant operational concerns or constraints in creating processes that will determine when changes in circumstances suggest that a hedging relationship may no longer be reasonably effective without requiring reassessment of the hedge effectiveness at each reporting period? If yes, what constraints do you foresee and how would you alleviate them?

Comment:

Since we believe that a regular, for example, quarterly re-determination process is necessary in practice to assess changes in circumstances that suggest a hedging relationship may no longer be reasonably effective, we do not foresee any significant concerns or constraints when implementing current practice, compared to the current process of assessment.

Nevertheless, from an audit perspective, we are concerned that it is extremely difficult to verify whether or not changes in circumstances are appropriately identified, which may suggest a hedging relationship to be no longer reasonably effective.

Question 64

> Do you foresee any significant operational concerns or constraints arising from the required concurrent documentation of the effective termination of a hedging derivative attributable to the entity's entering into an offsetting derivative instrument? If yes, what constraints do you foresee and how would you alleviate them?

Comment:

We do not foresee any significant operational concerns or constraints. When a derivative as a hedging instrument is offset by another derivative transaction, the hedging relationship will no longer be effective, and appropriate documentation will be required in the same way as in the current practice of termination of hedging relationships for other reasons. Therefore, we do not foresee any significant concerns or constraints in implementation based on a comparison between the requirement for concurrent documentation at termination and the current requirement of regular determination of effectiveness of hedging relationships.

On the other hand, from the point of view of effectiveness of auditing, we have a concern with verification, as to whether or not preparers of financial statements monitor the effective termination of derivatives.

Disclosure

Question 65

Do you agree with the proposed disclosure requirements? If not, which disclosure requirement do you believe should not be required and why?

Comment:

We do not agree with the following points.

(1) Paragraph 98 of the ED proposes that, among the financial liabilities measured at fair values, for financial liabilities with significant changes in fair values arising from changes in the entity's own credit standing (other than those changes related to changes in the price of credit), an entity shall disclose certain qualitative information.
   As we mentioned above, we are opposed to the separate presentation of changes in fair value caused by the changes in the entity's own credit standing, but we assume the separate presentation is required even when there is no significant change. We believe there should be further requirements for a disclosure of non-existence of significant change and the qualitative information of conditions to support such statement. Considering the problem stated above, we believe that information of conditions that lead to the judgment of non-existence of significant change is useful to users of financial statements;

(2) Paragraph 109 of the ED proposes that for all financial instruments measured at fair value and classified as Level 3 in the fair value hierarchy, except investments in unquoted equity instruments, an entity shall comply with the measurement uncertainty disclosures in Topic 820 on fair value measurement. However, we do not believe that the proposed disclosure requirements should be applied to all cases.
   We are not opposed to the view that requirement of consideration of correlative influences between unobservable inputs will contribute to the provision of beneficial information. However, the requirement of consideration of correlations between unobservable inputs, and disclosure of the results of such consideration, is not usually operational for preparers, because of their insufficient technical knowledge to apply a method to reasonably estimate such correlations.

Effective Date and Transition

Question 69

Do you agree with the proposed delayed effective date for certain aspects of the proposed guidance for nonpublic entities with less than $1 billion in total consolidated assets? If not, why?

Comment:

The proposed delayed timing of the application of the standards should also be granted to foreign entities.

For instance, in Japan, certain listed companies have already been permitted to voluntary apply IFRS. The final decision is scheduled to be made in 2012 as to whether or not to commence compulsory application of IFRS to all listed companies from 2015 or 2016.

Currently, about forty Japanese companies, including Foreign Private Issuers recognized by the Securities and Exchange Commission (SEC), apply US standards to file consolidated financial statements in Japan. Given this, we are hoping that due consideration will be provided paid to such issues such as setting out a special measure to allow delayed application of the final standards for foreign entities intending to comply with IFRS in the future, in order to avoid excessive burden on such entities.

Yours faithfully,

Keiko Kishigami
Executive Board Member－Accounting Practice (IFRS)
The Japanese Institute of Certified Public Accountants