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International Accounting Standards Board
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United Kingdom

**Comments on the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)***

To the IASB Board Members:

The Japanese Institute of Certified Public Accountants ("we", "our" and "JICPA") appreciates the continued efforts of the International Accounting Standards Board on this project, and welcomes the opportunity to comment on the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)* ("ED").

In order to optimise the distribution of resource in the capital market, it is essential that investors are able to evaluate enterprise values appropriately based on entities' disclosure information. This cannot be achieved without establishing principles and guidance for entities, encouraging them to provide effective disclosure information. In this context, we support the IASB's initiative to undertake the *Disclosure Initiative–Targeted Standards-level Review of Disclosures* project, which aims to improve disclosure requirements in IFRS Standards.

We support the basic idea of the proposed Guidance described in the ED (addressed in Questions 1 to 5), which is to disclose relevant information and ensure that such relevant information is not obscured by immaterial information. However, we cannot support the proposed Guidance as a whole due to the following reasons:

a. It is very unlikely in practice that introducing disclosure objectives and using less prescriptive disclosure requirements would lead prepares of financial statements to proactively disclose more information or auditors to encourage prepares to provide additional disclosures. Particularly, given that more than a few entities approach disclosures in financial statements as a compliance exercise rather than as a means of effective communication for financial reporting purposes, we expect the proposed ED will allow entities not to provide disclosure information unless mandatory, instead of providing more information. As a result, it is highly probable that the level of information disclosure would deteriorate compared to the current level with little relevant information disclosed. (See Question 1)

b. Should we replace current explicit disclosure requirements with disclosure objectives, which require increased application of judgements, we expect more time needs to be spent between auditors and preparers of financial statements to reconcile their views. Moreover, we do not think it is always the case that costs will reduce in subsequent years on the application of the objective-based disclosure requirements as proposed in the ED, given the rapidly changing economic environment and increasing importance of accounting estimates. (See Question 3)

c. Under such circumstances, we think there is a strong possibility that issues will arise in the area of audit capabilities. (See Questions 1 and 2)

As an alternative approach to the ED, we would like to propose a so-called 'trimming' approach,[1] under which an entity may omit information disclosure if considered immaterial by the entity in the light of overall disclosure objectives and specific disclosure objectives from a number of mandatory items of information prescribed in IFRS Standards. We believe most of the concerns about the 'checklist' approach stated in paragraph BC5 of the ED can be solved by simply adopting the 'trimming' approach, the alternative approach proposed by JICPA. (Questions 2 and 3)

Furthermore, we understand the way 'materiality' is applied to information disclosed in the notes varies among entities in practice. Thus, we also suggest the IASB introduce a

[1] Under the 'trimming' approach, additional disclosures would be provided as needed to meet overall disclosure objectives.

detailed framework to determine the ‘materiality’ of information to be provided in the notes. (Question 2)

In addition to our comments on the proposed Guidance as described above, we also commented on each question from Question 6 to Question 18 related to the proposed amendments to individual standards, namely IFRS 13 and IAS 19, from a perspective of whether the ED proposals are able to improve disclosure requirements when compared to the current standards, IFRS 13 and IAS 19.

We expect the IASB will continue working on the improvement of disclosure requirements for IFRS Standards with considerable effort, while carefully taking our views into account.

Please see our comments on individual proposals of the ED in the following pages.

| **Question 1— Using overall disclosure objectives** |
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| Paragraphs DG5–DG7 of this Exposure Draft explain how the Board proposes to use overall disclosure objectives in future.<br>(a) Do you agree that the Board should use overall disclosure objectives within IFRS Standards in future? Why or why not?<br>(b) Do you agree that overall disclosure objectives would help entities, auditors and regulators determine whether information provided in the notes meets overall user information needs? Why or why not? |

**Comment:**

(a) We agree with the proposal.

We agree with the general concept of using overall disclosure objectives within IFRS Standards and requiring entities to determine whether the information provided by complying with the specific disclosure objectives meets the user information needs.

(b) We conditionally agree with the proposal.

The use of overall disclosure objectives may be able to help entities, auditors and regulators determine whether information disclosed meets the information needs of users of financial statements in a certain way. That said, we do not think providing overall disclosure objectives alone would be sufficient for ensuring audit and enforcement capabilities. Accordingly, we suggest combining the use of both current disclosure requirements and newly proposed disclosure objectives, which will be discussed in detail in our comments to Question 2 and after.

Although the following is stated in paragraph DG6 of the ED, it is unlikely that an entity will 'provide additional, entity-specific information that is not directly required by the specific disclosure objectives' by referring to overall disclosure objectives.

*For example, to comply with the overall disclosure objectives in a Standard, an entity might need to provide additional, entity-specific information that is not directly required by the specific disclosure objectives in that Standard.*

Also, the following is currently set forth in paragraph 17(c) of IAS 1; however, in practice, we understand only in very rare circumstances do entities provide such additional disclosures.

*17 …A fair presentation also requires an entity:*

*…*

*(c) to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.*

We understand the 'disclosure problem' of financial statements with 'not enough relevant information' is arising from this very fact that the current accounting requirements have failed to successfully promote entities to provide sufficient additional disclosures. But at the same time, it is very unlikely that introducing disclosure objectives and using less prescriptive disclosure requirements would lead prepares to proactively disclose more information or auditors to encourage prepares to provide additional disclosures. Particularly, given that more than a few entities approach disclosures in financial statements as a compliance exercise rather than as a means of effective communication for financial reporting purposes, we expect many of them would choose to not to provide any disclosure item unless mandatory, instead of providing more information. As a result, it is highly probable that the level of information disclosure would deteriorate compared to the current level with little relevant information disclosed.

| **Question 2— Using specific disclosure objectives and the disclosure problem** |
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| Paragraphs DG8–DG10 of this Exposure Draft explain how the Board proposes to use specific disclosure objectives in future.<br>(a) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would help entities apply judgements effectively when preparing their financial statements to:<br>(i) provide relevant information;<br>(ii) eliminate irrelevant information; and<br>(iii) communicate information more effectively?<br>Why or why not? If not, what alternative approach would you suggest and why?<br>(b) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would provide a sufficient basis for auditors and regulators to determine whether an entity has applied judgements |

effectively when preparing their financial statements? Why or why not?

**Comment:**

(a) We do not agree with the approach.

We agree that the use of specific disclosure objectives will be able to address the issues of '(ii) eliminating irrelevant information' and '(iii) communicating information more effectively.' This is because an entity can refer to disclosure objectives when determined it is unnecessary for the entity to disclose certain information even if it is an item subject to disclosure requirements. However, we do not think specific disclosure objectives would be able to address the issue of 'providing relevant information.' Some people think sensitive information is not fully provided under the current IFRS Standards even when it is explicitly required as an item to be disclosed. For example, paragraph 134 of IAS 36 requires entities to disclose estimates used for the calculation of recoverable amount of cash-generating units to which the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated. Despite such specific requirement, disclosures in practice do not always appear to be detailed enough to reflect each entity's own circumstances. Should we reduce disclosure requirements in such cases and provide specific disclosure objectives instead, requirements will become less enforceable, causing a deterioration in effective disclosures.

As an alternative approach, we suggest combining the use of both explicit disclosure requirements and disclosure objectives. Explicit disclosure requirements would be able to ensure audit and enforcement capabilities, while combining the use of disclosure objectives should be able to eliminate unnecessary disclosures. This is an approach that can be used not only as a tool for entities to meet disclosure objectives, but also for eliminating unnecessary disclosures.

In addition, we understand the way 'materiality' is applied to information disclosed in the notes varies among entities in practice. Thus, we also suggest the IASB introduce a detailed framework to determine the 'materiality' of information to be provided in the notes.

(b) We disagree with the proposal.

We are afraid specific disclosure objectives alone would not be able to provide a sufficient basis for auditors and regulators to determine whether an entity has applied judgements effectively when preparing their financial statements. As 'specific disclosure objectives' and 'the explanation of what the information is intended to help users do' described in the ED do not seem to be specific enough, they may not provide a sufficient enough basis to determine whether detailed information needs of users are met. Considering the fact that users of financial statements think disclosures are insufficient for material entity-specific information and sensitive information, we highly recommend the Board use more enforceable language rather than less prescriptive language in identifying items of information to make them more prescriptive and binding. See more detail in our comment to Question 4.

| **Question 3— Increased application of judgement** |
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| Paragraphs DG2–DG3 and DG8–DG13 of this Exposure Draft explain why, in future, the Board proposes to:<br>(a) use prescriptive language to require an entity to comply with the disclosure objectives.<br>(b) typically use less prescriptive language when referring to items of information to meet specific disclosure objectives. An entity, therefore, would need to apply judgement to determine the information to disclose in its circumstances.<br>This approach is intended to shift the focus from applying disclosure requirements like a checklist to determining whether disclosure objectives have been satisfied in the entity's own circumstances. Paragraphs BC188–BC191 of the Basis for Conclusions describe the likely effects of this approach on the behaviour of entities, auditors and regulators towards disclosures in financial statements. Paragraphs BC192–BC212 of the Basis for Conclusions describe the likely effects of this approach on the quality of financial reporting, including the cost consequences of the approach.<br>(a) Do you agree with this approach? Why or why not? If not, what alternative approach do you suggest and why?<br>(b) Do you agree that this approach would be effective in discouraging the use of disclosure requirements in IFRS Standards like a checklist? Why or why not?<br>(c) Do you agree that this approach would be effective in helping to address the disclosure problem? For example, would the approach help entities provide decision-useful information in financial statements? Why or why not?<br>(d) Do you agree that this approach would be operational and enforceable in practice? Why or why not?<br>(e) Do you have any comments on the cost of this approach, both in the first year of application and in subsequent years? Please explain the nature of any expected incremental costs, for example, changes to the systems that entities use to produce disclosures in financial statements, additional resources needed to support the |

increased application of judgement, additional audit costs, costs for users in analysing information, or changes for electronic reporting.

**Comment:**

(a) We disagree with the approach.

This is because if less prescriptive language is used when referring to items of information to meet specific disclosure objectives, entities would need to increase the application of judgement more often to determine the information they disclose. Consequently, it is very likely the level of information disclosure would deteriorate.

As an alternative approach, we would like to propose the so-called 'trimming' approach,[2] under which an entity may omit information disclosure if considered immaterial by the entity in the light of overall disclosure objectives and specific disclosure objectives from a number of mandatory items of information prescribed in IFRS Standards.

We strongly recommend the application of the alternative approach mainly due to the following four reasons:

(1) The alternative 'trimming' approach may appear opposite the IASB's proposed Guidance in the ED, which is more like a 'build-up' approach, under which entities are required to apply judgement and identify items of information to be disclosed to meet specific disclosure objectives. However, in theory, we believe the two approaches should bring the same results.

(2) At the moment, it might be too much for preparers of financial statements to excessively exercise judgement on disclosure items at the end of each period. Moreover, it should be extremely difficult for regulators and auditors to ensure enforcement capability and audit capability, respectively, under such circumstances.

(3) Increased application of judgements by preparers under the proposed Guidance would allow different entities to disclose different information, which may cause the issue of comparability among entities. We believe certain prescriptive disclosure requirements are needed to ensure comparability of information in the financial statements. We recommend further consideration be made by the Board on whether or not to introduce explicit disclosure requirements to meet the needs of users of

[2] Under the 'trimming' approach, additional disclosures would be provided as needed to meet overall disclosure objectives.

financial statements regarding comparability. Especially, we expect needs would arise among users who would like to instantly compare specific disclosure information of competitors amid the spread of electronic reporting. Going forward, it will become increasingly important for the Board to address electronic reporting issues so that IFRS Standards are prepared to provide future-ready financial reporting.

(4) We believe most of the concerns about the 'checklist' approach stated in paragraph BC5 of the ED can be solved by simply adopting the 'trimming' approach, the alternative approach proposed by JICPA.

(b) We do not think that the approach would be effective.

If disclosure objectives were to be introduced using less prescriptive language, we are almost certain based on our experience in practice that items of information to meet specific disclosure objectives would be used like a checklist by entities and auditors every period. In other words, no big change from current practices is expected under the proposed Guidance, although judgement will be applied whether to disclose the items in the light of specific disclosure objectives.

Further, as mentioned above, issues may arise in the areas of increased application of judgements by preparers of financial statements as well as audit and enforcement capabilities.

(c) We do not think that the approach would be effective.

If it is an entity or senior management that places a high value on disclosure, the proposed approach would probably help the entity provide decision useful information in the financial statements. However, in many cases, entities treat disclosures as a compliance exercise, rather than as a means of effective communication for financial reporting purposes, and thus sufficient disclosure information is not always provided even under the current IFRS Standards that require a number of mandatory disclosures. That said, the approach may provide room for such entities to conclude they need not disclose entity-specific information or sensitive information, which we believe could worsen the disclosure problem.

(d) We think the approach is neither operational nor enforceable.

We are particularly concerned the Board is proposing the approach from the viewpoint of 'enforceability.' We believe sufficient disclosure of entity-specific and/or sensitive information cannot be achieved without explicit disclosure requirements. As this approach does not provide a clear explanation about non-mandatory disclosure items, we believe situations will increase where judgements made by auditors and regulators are different from those made by entities. Also, the approach will make it harder for auditors and regulators to encourage entities to disclose those items, possibly resulting in some additional costs and time for associated discussions and negotiations.

(e) Additional resources and additional audit costs would be inevitable for entities.

The proposed Guidance requires preparers to reconsider their disclosures from the perspective of users of financial statements, meaning they would need more time and resource for the reconsideration.

As commented in (d) above, we also expect discussions will increase between auditors and preparers as the application of judgement increases. Even under the current practice, where preparers of financial statements make materiality judgements when disclosing information, we notice 'provision of relevant information' is not always achieved because different entities are applying different judgments. Should we replace current explicit disclosure requirements with disclosure objectives, which require increased application of judgements, we expect more time needs to be spent between auditors and preparers to reconcile their views.

As stated in paragraph BC178 of the Basis for Conclusions, such costs of implementation would be most significant in the first year but would also continue as ongoing costs. According to paragraph BC178, the Board expects those ongoing costs would reduce in subsequent years; however, we may not be able to see such decrease due to the following: disclosures need to be reviewed every period; economic environment is rapidly changing; and the importance of accounting estimates is becoming more important than ever.

| **Question 4— Describing items of information to promote the use of judgement** |
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| The Board proposes to use the following less prescriptive language when identifying items of information: 'While not mandatory, the following information may enable an entity to meet the disclosure objective'. Paragraph BC19–BC26 of the Basis for Conclusions describe the Board's reasons for this language and alternative options that the Board considered.<br>Do you agree that the proposed language is worded in a way that makes it clear that entities need to apply judgement to determine how to meet the specific disclosure objective? If not, what alternative language would you suggest and why? |

**Comment:**
We disagree with the proposal.

Instead of using less prescriptive language described in paragraph BC21(b) as ‘to meet the disclosure objective in paragraph [x], an entity will normally disclose⋯,’ we recommend using a more enforceable language to make it more prescriptive and mandatory as a requirement. There are mainly four reasons behind our recommendation:

(1) Prepares will apply judgements when disclosing information by referring to languages in paragraph BC21(c) and paragraph BC21(a), namely ‘while not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph [x]⋯’ and ‘to meet the disclosure objective in paragraph [x], an entity shall consider disclosing⋯.’ Under such circumstances, it will be difficult for preparers to determine in which cases they are supposed to provide a particular item of information in the light of newly developed disclosure objectives. Likewise, it will also be difficult for auditors to determine whether or not to encourage prepares to provide the information to satisfy disclosure objectives. As a result, it is likely that no disclosures will be made at the end of the day for the particular item of information. Especially, we are afraid the level of disclosures, particularly in the area of entity-specific information and sensitive information, may significantly deteriorate for entities that treat disclosures as a compliance exercise rather than as a means of effective communication for financial reporting purposes, which is the case for many entities.

(2) As commented in Question 3, the IASB’s proposed approach in the ED for items of information to meet specific disclosure objectives is what we call the ‘build-up’ approach, under which an entity is required to apply its own judgement and identify items of information to be disclosed to meet individual specific disclosure objectives. On the other hand, the alternative approach that we propose is so-called the ‘trimming’ approach, under which an entity may omit information disclosure from a number of mandatory items of information prescribed in IFRS Standards if considered immaterial by the entity in the light of overall disclosure objectives and specific disclosure objectives. In theory, we believe the two approaches should bring the same results if appropriately applied by preparers; however, we think the ‘build-up’ approach could be more difficult to be applied appropriately, as it involves more judgements among prepares, auditors and regulators.

(3) As commented in Question 3, we expect entities would need to spend some additional costs and time with auditors and regulators for discussions and negotiations.

(4) We suggest the IASB should provide a clear rationale for determining whether it should use 'prescriptive language' or 'less prescriptive language' in IFRS Standards when requiring disclosure of a particular item of information. Otherwise, the Board can set forth all the disclosure requirements at its own discretion. We recommend the Board should develop disclosure requirements by balancing the information needs of users and the burden put on preparers. Accordingly, the Board should clarify how paragraphs DG2(a) and DG2(b) are related to each other. This is especially the case when entities disclose quantitative information, as they need to request their subsidiaries beforehand to submit necessary information to prepare for the disclosure. Depending on the language used in disclosure requirements, the burden put on prepares could be very much different.

| **Question 5— Other comments on the proposed Guidance** |
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| Paragraphs BC27–BC56 of the Basis for Conclusions describe other aspects of how the Board proposes to develop disclosure requirements in IFRS Standards in future applying the proposed Guidance. Paragraphs BC188–BC212 of the Basis for Conclusions explain the expected effects of any disclosure requirements developed using the proposed Guidance.<br>Do you have any other comments on these aspects? Please indicate the specific paragraphs or group of paragraphs to which your comments relate (if applicable). |

**Comment:**

(1) IAS 34 to be amended.

The ED does not mention much about IAS 34 amendments. As different approaches will need to be adopted between interim financial statements and annual financial statements, we suggest the Board consider amending IAS 34.

(2) Information needs of investors to be put in the Basis for Conclusions.

In order to implement the proposed ED appropriately, we believe the Board should set forth an appropriate overall disclosure objective and specific disclosure objectives, reflecting a broad range of user information needs. With that in mind, we suggest the Board provide further information in terms of both quality and quantity about the detail of its outreach activities with users of financial statements as part of the process of developing disclosure objectives, such as information on discussions with investors. Such information should be useful not only for entities when they determine which information to disclose, but also for auditors and regulators when they assess the appropriateness of entities' disclosures or when they require entities to make additional disclosures.

In addition to such information needs of investors, we also suggest the Board describe in the Basis for Conclusions its intent that provides the basis for developing new disclosure requirements, including how the Board has prioritised items of information to meet specific disclosure objectives.

(3) Requirement to be added for entities to carefully consider continuity in determining whether or not to disclose an item of information.

Entities need to assess every period whether or not to disclose an item of information required using 'less prescriptive language.' As a result, some entities may need to change the information gathering system on a group-wide basis every period, which could be quite burdensome for preparers. That being said, we recommend entities be required to carefully consider continuity in determining whether or not to disclose an item of information.

<Applicable for our comments to Questions 6 to 18>

In addition to our comments on the proposed Guidance as described above, we also commented on each question from Question 6 to Question 18 related to the proposed amendments to individual standards, namely IFRS 13 and IAS 19, from a perspective of whether the ED proposals are able to improve disclosure requirements when compared to the current standards, IFRS 13 and IAS 19.

| **Question 6— Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition** |
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| Paragraphs BC62–BC73 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition.<br>Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? If not, what alternative objective do you suggest and why? |

**Comment:**

We agree with the proposal except for the following:

Paragraph 101 seems to cover only the idea of paragraph 92(a) in the current IFRS 13, excluding paragraphs 92(b) to 92(d). We suggest the Board explain the reason for not including paragraphs 92(b) to 92(d) of the current IFRS 13 in the Basis for Conclusions.

| **Question 7— Specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition** |
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| Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, and discuss approaches that the Board considered but rejected.<br>(a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? Why or why not? If not, what changes do you suggest?<br>(b) Do you agree that the proposed specific disclosure objectives would result in the provision of information about material fair value measurements and the elimination of information about immaterial fair value measurements in financial statements? Why or why not?<br>(c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate.<br>(d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate. |

**Comment:**

We agree with all of the proposals.

Regarding question item (c), we agree with the Board insisting there are certain disclosures within the current IFRS 13 whose benefits cannot be justified when compared to the associated costs. Thus, we think the specific disclosure objectives should be able to reduce entities' costs of preparing information and also would effectively contribute to addressing the disclosure problem where relevant information is obscured by immaterial information.

| **Question 8— Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition** |
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| Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, and discuss information that the Board considered but decided not to include.<br>(a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 105, 109 and 116 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?<br>(b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? |

**Comment:**

(a) We agree with the proposal with certain conditions. Our comment below is applicable for question item (b) as well.

Paragraph BC96 states that 'an entity that has any material fair value measurements that fall within the "grey area" would need to explain how and why the amount of those measurements has changed during the reporting period to meet the specific disclosure objective about reasons for changes.' On the other hand, paragraph 117(a) of the ED requires 'an explanation of the significant reasons for changes in recurring fair value measurements other than those categorised in Level 3 of the fair value hierarchy' be provided, although not mandatory. We are afraid entities might not be able to appropriately disclose information on fair value measurements that fall within the 'grey area' in accordance with paragraph 117(a), unless entities understand the basis behind the requirement as described in paragraph BC96.

We should note that the proposal to enhance disclosures regarding material fair value measurements categorised within Level 2 is based on the needs of investors, which is also stated in paragraph BC73(b)(ii) that entities should 'disclose relevant information for material fair value measurements, even if it relates to fair value measurements other than those categorised within Level 3 of the fair value hierarchy.' Accordingly, we recommend the Board consider applying the disclosure requirement in paragraph 117(a) to material fair value measurements categorised within Level 2.

We must also comment on the appropriateness of the due process because it appears the Board is proposing to change the scope or items of disclosures when it is already concluded in the Post-implementation Review ('PIR') of IFRS 13 that no revisions are needed. See further discussion regarding this matter in Question 11.

(b) We disagree with the proposal.

As discussed in Question 4, we do not think disclosure objectives will be met unless requirements are more prescriptive. We think it should be easier to tackle the 'disclosure problem' by taking the 'trimming' approach in conjunction with the use of prescriptive disclosure requirements.

Further, paragraphs 111 and 112 of the ED provide the disclosure objective for reasonably possible alternative fair value measurements, stating that they are intended to help users of financial statements evaluate the possible outcomes of the fair value measurements at the end of the reporting period, and evaluate how those possible outcomes might affect the future cash flows of the entity. As such information would also help users understand measurement uncertainties, we recommend the Board explain the relationship between them.

In addition, to meet the disclosure objectives in paragraphs 111 and 112, the Board suggests replacing the current requirement of providing sensitivity analysis by each input with the requirement in paragraph 113 to disclose the following information when using reasonably possible alternative inputs instead of unobservable inputs: range of fair value measurements; interrelationships between the inputs used; and the effect on fair value measurements. Some users find the current disclosure information more useful to their analysis (i.e. sensitivity analysis by each input) from the perspective of comparability and objectivity when they are trying to evaluate fair value measurement results and possible effects on an entity's future cash flows. Other users think the newly proposed disclosure items provide more detailed information from the perspective of measurement uncertainty disclosures. Accordingly, we recommend the Board clarify the relation between measurement uncertainty disclosures and disclosure objectives described in paragraphs 111 and 112, and then consider items of information that seem to be suitable to meet the objectives.

If the Board is requiring entities to disclose information on the 'range of fair value measurements' using alternative inputs, it would become a newly proposed item of disclosure. Thus, we recommend the Board should provide additional guidance together with the new requirement, including illustrative examples for calculation methods.

Lastly, according to paragraphs BC86 and BC87, it sounds as if the Board is requiring the disclosure of ‘the overall range of possible fair value measurement’ regardless of whether the effect of reasonably possible changes in an input is individually significant or not. If the Board is expecting entities to disclose ‘the overall range of possible fair value measurement’ to meet specific disclosure objectives in paragraph 111, we suggest paragraph 113(b) should be recognised as a required item of information. We also support the idea of including the information as a required item of information, given that it is a significant information to understand ‘the entity’s exposure to uncertainties,’ which represents the overall disclosure objective, and also the needs of investors seem to be very high for such information.

| **Question 9— Specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes** |
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| Paragraphs BC98–BC99 of the Basis for Conclusions describe the Board’s reasons for proposing the specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.<br>(a) Do you agree that the proposed specific disclosure objective captures detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes? Why or why not? If not, what changes do you suggest?<br>(b) Do you agree that this proposed specific disclosure objective would result in the provision of useful information about assets and liabilities not measured at fair value but for which fair value is disclosed in the notes? Why or why not?<br>(c) Do you agree that the benefits of the specific disclosure objective would justify the costs of satisfying it? Why or why not? If you disagree, how should the objective be changed so that the benefits justify the costs?<br>(d) Do you have any other comments about the proposed specific disclosure objective? |

**Comment:**

We agree with question items (a), (b) and (c). We have no comment for question item (d).

| **Question 10— Information to meet the specific disclosure objective for assets and** |
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| liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes |
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| Paragraph BC100 of the Basis for Conclusions describes the Board's reasons for proposing the items of information to meet the specific disclosure objective about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.<br>(a) Do you agree that entities should be required to disclose the proposed items of information in paragraph 120 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?<br>(b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet the specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? |

**Comment:**

(a) We agree with the proposal.

Items required in paragraph 120 represent the minimum level of components for assets and liabilities needed when users project future cash flows, which should be applied as a requirement for all entities. Further, as preparers simply need to categorise items by the level of hierarchy, it should not put too much burden on them.

(b) We disagree with the proposal.

The following information currently required in IFRS 13 for disclosures are excluded even from the list of non-mandatory items in the ED: valuation techniques; inputs; and the highest and best use of a non-financial assets. We suggest the items of information should at least be referred to as items to be considered disclosing (i.e. although not mandatory but requires consideration).

| Question 11— Other comments on the proposed amendments to IFRS 13 |
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| Do you have any other comments on the proposed amendments to IFRS 13 in this Exposure Draft, including the analysis of the effects (paragraphs BC214–BC215 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft? |

**Comment:**

(1) The due process of taking a pilot approach for disclosures could be an issue.

Paragraph BC72 is practically requiring the enhancement of Level 3 disclosures to Level 2 of the fair value hierarchy. If this means the Board is willing to change or enhance the scope of disclosures, despite the fact that the Post-implementation Review ('PIR') of IFRS 13 is already completed, concluding no revisions needed, it could be out of the scope the original objective of the ED, which is to improve how the Board drafts disclosure requirements in IFRS Standards. In such cases, we may need to include discussions on the appropriateness of decisions made for the IFRS 13 PIR results in the deliberation process.

(2) A reconciliation from opening balance to closing balance is required to provide significant reasons for changes in the fair value measurements, including information about realised gains or losses; however, the definition of 'realised gains or losses' is unclear.

The current standard requires the disclosure of unrealised gains or losses included in profit or loss (paragraph 93(f) of IFRS 13), while paragraph 116(b) of the ED requires information of realised gains or losses recognised in profit or loss to be included in the reconciliation. With insufficient definition of 'realised gains or losses,' it is unclear as to what should be disclosed as realised gains or losses. We recommend the Board spend more time on deliberation and explain why it thinks providing the disclosure of a reconciliation that includes realised gains or losses, instead of the current 'unrealised gains or losses' disclosure requirement, enables an entity to meet disclosure objectives in the first place.

| **Question 12— Overall disclosure objective for defined benefit plans** |
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| Paragraphs BC107–BC109 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined benefit plans.<br>Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined benefit plans? If not, what alternative objective do you suggest and why? |

**Comment:**

We agree if the following is met:

Paragraph 147B states 'an entity shall aggregate or disaggregate information provided to meet the disclosure objectives about defined benefit plans set out in this Standard,' requiring entities to provide aggregated or disaggregated information. Further, examples are provided in paragraph 147C for assessments to be made for disaggregation purposes. Given that they are already provided as requirements in paragraphs 136, 137 and 138 under the current IAS 19, we are doubtful how far they can contribute to the providing of useful information that meets the needs of investors. Accordingly, in order to enhance disclosures, we suggest the Board provide more illustrative examples for disaggregated information and present why the detailed examples listed in paragraph 147C may lead to the indication of different risks or features among plans.

Further, we notice the same kind of disclosure objectives are repetitively described for each benefit plan, which seem to be redundant, making it more difficult to understand the IAS 19 requirements.

| **Question 13— Specific disclosure objectives for defined benefit plans** |
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| Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about defined benefit plans, and discuss approaches that the Board considered but rejected.<br>(a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about defined benefit plans? Why or why not? If not, what changes do you suggest?<br>(b) Do you agree that the proposed specific disclosure objectives would result in the provision of relevant information and the elimination of irrelevant information about defined benefit plans in financial statements? Why or why not?<br>(c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate.<br>(d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate. |

**Comment:**

(a) We agree if the following is met:

Paragraph BC119 indicates that the Board does not expect all entities to disclose every item of information in paragraph 147I of the proposed amendments. On the other hand, paragraph BC115 says the Board thinks understanding the nature of and risks associated with defined benefit plans is necessary for users of financial statements. As we understand such risk information is important for users, we recommend the Board explain in detail how items of information described in paragraph 147I can meet the specific disclosure objective in paragraph 147G. In this way, we hope we can improve disclosures and thereby capture the information needs of users a lot better.

(b) We agree only if our recommendations in (d) below are considered:

(c) We agree.

(d) We have three comments on the proposed specific disclosure requirements for your consideration:

(1) Paragraph BC119 states 'the Board does not expect all entities to disclose every item of information in paragraph 147I of the proposed amendments, nor does it expect entities to limit the information disclosed to that listed.' It is of our view, though, that minimum level of information disclosure should be set forth as a requirement. Particularly, we believe all entities should be required to disclose the following information in paragraphs 147I(c) and 147I(h): a description of plan amendments, curtailments and settlements in the reporting period; and a breakdown of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets.

We do understand the Board's basic idea is to have entities assess what information is useful for disclosure purposes. That said, if we expect entities to do all the work of making judgements, different entities will make different judgements in disclosing information, impairing the comparability of financial statements. Here is the rationale behind our recommendation.

'A description of plan amendments, curtailments and settlements in the reporting period' per paragraph 147I(c) is usually a one-time event, which should be a useful information for users to have a better understanding on fluctuations from prior year financial results. Thus, we suggest the item of information to be disclosed unless it is obviously immaterial.

Regarding the item of information in paragraph 147I(h), it is of our view that not providing 'a breakdown of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets' would likely contradict with paragraph BC117, which says 'the Board highlighted information about investment risks in its disclosure objective.'

(2) Although all the items listed in paragraph 147S represent examples of actuarial assumptions entities may want to disclose, we recommend the Board specify items

that should be disclosed as a minimum requirement. At least, we believe information regarding discount rates should be a required item for disclosure.

Again, we do understand the Board's basic idea is to have entities assess what information is useful for disclosure purposes. That said, if we expect entities to do all the work of making judgements, different entities will make different judgements in disclosing information, impairing the comparability of financial statements. Particularly, information on discount rates, a critical input used in all benefit plans other than defined contribution plans, is currently regarded as useful by investors for their evaluation and decision-making on investments, and thus entities should be required to disclose such information. For example, information around how entities determine their discount rates by reference to market yields on high quality corporate bonds and the like would be useful for investors as disclosure information.

(3) We could not understand what 'alternative actuarial assumptions' per paragraph 147S(d) means. We recommend the Board clarify the definition, given that it is not referred to in the current IAS 19 or explained in paragraph BC141 of the ED.

| **Question 14— Information to meet the specific disclosure objectives for defined benefit plans** |
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| Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about defined benefit plans, and discuss information that the Board considered but decided not to include.<br>(a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 147F, 147M and 147V of the [Draft] amendments to IAS 19? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objectives?<br>(b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? |

**Comment:**

(a) We agree with disclosing the proposed items of information in paragraph 147F, but not for paragraph 147M due to the following reasons. We may agree with paragraph 147V if certain conditions are met.

Paragraph 147M indicates that 'an entity may provide information about the expected future cash flow effects for the defined benefit plan as a whole, without differentiating between those that meet the defined benefit obligation recognised at the end of the reporting period and other expected future cash flows.' Meanwhile, an example is provided in paragraph A6 that when the entity's defined benefit plans are still open to new members or to the accrual of benefits to current members, it may disclose information on expected future cash flows without having them being differentiated. In cases like paragraph A6(a), it is uncertain as to whether relevance in financial reporting can be satisfied by disclosing information about the effect on expected future cash flows for the defined benefit plans as a whole, without differentiating between expected future cash flows to meet the defined benefit obligation and other expected future cash flows. If the information 'would go beyond the requirement in the disclosure objective,' then we suggest the Board develop requirement or guidance that addresses such cases.

Requirement in paragraph 147V does not seem to align with illustrative examples. Paragraph 147V requires actuarial gains or losses should be separately disclosed for (i) actuarial gains or losses from changes in actuarial assumptions and (j) actuarial gains or losses from changes in experience adjustments. On the other hand, a disclosure example illustrated in paragraph IE2 separates 'actuarial loss (gain) arising from changes in financial assumptions' and 'actuarial loss (gain) arising from changes in demographic assumptions,' causing inconsistency between paragraph 147V and IE2. If we assume the item of information in paragraph 147V(i) is disclosed in separate line items as in IE2, then the item of information in paragraph 147V(j) would be missing in the IE. Further, information on 'return on plan assets excluding amounts in the net interest charge' per paragraph IE2 seems to cover both requirements in paragraph 147V(h) 'return on plan assets' and a part of paragraph 147V(j). Accordingly, we recommend the Board align the IAS 19 requirements with illustrative examples to avoid any confusion in practice for preparers of financial statements.

(b) We agree with the Board's proposal.

| **Question 15— Overall disclosure objective for defined contribution plans** |
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| Paragraphs BC156–BC158 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined contribution plans.<br>Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined contribution |

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| plans? If not, what alternative objective do you suggest and why? |

**Comment:**

We agree if the following is met:

Given that so-called hybrid plans could be included in the plans classified as defined contribution plans, we suggest the Board provide illustrative examples to enhance disclosures and help users of financial statements more easily understand associated effects.

| **Question 16— Disclosures for multi-employer plans and defined benefit plans that share risks between entities under common control** |
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| Paragraphs BC159–BC166 of the Basis for Conclusions describe the Board’s reasons for proposing which disclosure objectives should apply for multi-employer plans and defined benefit plans that share risks between entities under common control.<br>Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why? |

**Comment:**

We agree if the following is met:

We believe entities should be required to provide more disclosure information when they account for a multi-employer defined benefit plan as if it were a defined contribution plan when they believe sufficient reliable information is not available to use defined benefit accounting in accordance with paragraphs 34 and 148A. The purpose of requiring additional information, such as the rationale for applying the exceptional rule, is to refrain entities from taking the easier route. From that perspective, we do not think the disclosure requirement in paragraph 147G alone would be sufficient.

| **Question 17— Disclosures for other types of employee benefit plans** |
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| Paragraphs BC167–BC170 of the Basis for Conclusions describe the Board’s reasons for proposing the overall disclosure objectives for other types of employee benefit plans.<br>Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why? |

**Comment:**
We agree with the proposal.

| **Question 18— Other comments on the proposed amendments to IAS 19** |
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| Do you have any other comments on the proposed amendments to IAS 19 in this Exposure Draft, including the analysis of the effects (paragraph BC216 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft? |

**Comment:**
Our additional comments on the proposed amendments to IAS 19 are as follows:

(1) To avoid any unnecessary confusion in practice, we request the Board consider the following: reserve a long enough period from the publication date of the Standard to the application date for preparation purposes; and provide a standardised set of information to be disclosed to some extent, or at least at a minimum level.

(2) The deferred tax asset or liability arising from the defined benefit plans (paragraph 147F(d))
Disclosure requirements for deferred tax asset and liability are also provided in IAS 12 *Income Taxes*. That said, we recommend the Board clarify how the IAS 12 requirements and the new disclosure model proposed in the ED relate to each other.

(3) The intention of disclosing the nature of, and risks associated with, defined benefits plans (paragraph 147H)
In the light of the disclosure objective, we think entities should explain how their financial results are exposed to the risk of defined benefit plans. That said, we may want to require entities to provide additional information that 'could possibly affect an entity's financial results' as for one of the intentions of disclosing the nature of, and risks associated with, defined benefits plans.

(4) A description of plan-specific investment risks (paragraph 147I(e)) and a breakdown of the fair value of plan assets by classes of assets (paragraph 147I(h))
Paragraph 147I(h) is requiring entities to provide detailed quantitative information on the fair value of plan assets by classes, whereas Paragraph 147I(e) seems to be indicating that entities need to provide a higher level of disclosure information. Also, it is uncertain as to how the two requirements are relating to each other. Accordingly, we suggest the Board clarify the relationship between the requirements in paragraphs

147I(e) and 147I(h).

(5) Expected future cash flows relating to defined benefit plans (paragraph 147L)
In the light of the disclosure objective, we recommend the Board include information on a maturity profile and the detail of defined benefit obligations.

(6) Information on future payments to be made to members of defined benefit plans that are closed to new members (paragraph 147P)
The requirement for the weighted average duration of the defined benefit obligation is limited to closed defined benefit plans, but it could also enable users to understand the liquidity risk of defined benefit obligations for other plans. As liabilities arising from defined benefit obligations are excluded from the application scope of IFRS 7, we recommend enhancing the scope of post-employment benefit plans subject to disclosures.

(7) We agree with developing an overall disclosure objective for short-term employee benefits (paragraph 25A of IAS 19). At the same time, like post-employment benefits, we recommend the Board provide examples of items of information to meet disclosure objectives for short-term employee benefits.

Currently, IAS 19 *Employee Benefits* has no specific disclosure requirements for short-term employee benefits, and thus in practice, many entities often disclose information in accordance with IAS 24 *Related Party Disclosures* or IAS 1 *Presentation of Financial Statements.* Therefore, for the purpose disclosing information on short-term employee benefits, not only overall disclosure objectives but also examples of items of information would help entities make disclosures with a better understanding of the information needs of users of financial statements related to short-term employee benefits.

Yours faithfully,

Takako Fujimoto
Executive Board Member － Business Accounting Standards and Practice/Corporate Disclosure
The Japanese Institute of Certified Public Accountants