

January 15, 2008

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sirs,

Comments on Exposure Draft  
“Improvements to International Financial Reporting Standards”

We welcome the opportunity to comment on the exposure draft “Improvements to International Financial Reporting Standards.” The views expressed as follows are those of the International Issues Standing Committee of the Accounting Standards Board of Japan (ASBJ).

1. We basically agree with the exposure draft of proposed amendments to International Financial Reporting Standards (IFRSs) under IASB’s first annual improvements project. We would like to ask the IASB to proceed with further deliberation for appropriate amendment by taking our comments into consideration.
2. We would like to make comments on the proposals we do not agree with or we are concerned about.

Question 11

Do you agree with the proposal to amend paragraphs 14 and 15 of IAS 17 to eliminate a perceived inconsistency between the specific classification guidance for leases of land and buildings and the general lease classification guidance in IAS 17? If not, why?

3. We do not agree with the proposal. We consider that there is no need to concern that paragraph 14 of current IAS17 may conflict with the general guidance on lease classification in paragraphs 8–12 of the existing IAS17 as mentioned in the exposure draft, because paragraph 14 includes the word “normally”. We do not believe that it is necessary to delete paragraph 14 of IAS17, because the benefit of the guidance outweighs the possible risk of misunderstanding.

**Question 14(a)**

Do you agree that IAS 19 should be amended to clarify that when a plan amendment reduces benefits for future service, the reduction relating to future service is a curtailment and any reduction relating to past service is negative past service cost? If not, why?

4. We agree that amendment to the existing IAS19 is necessary.
5. However, we are concerned that the proposed amendment might result in another ambiguity. That is, it is proposed in paragraph 111A of IAS19 that the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost, on the other hand, the proposed amendment in paragraph 111 of IAS19 states that the criterion for determining whether or not it is a curtailment requires that it is “significant.” Thus, it is open to question how the insignificant reduction for future service should be treated. Therefore, we believe that this point should be clarified.

**Question 23**

Do you agree with the proposal to amend paragraph 33 of IAS 28 to clarify the circumstances in which an impairment charge against an investment in an associate should be reversed? If not, why?

6. We do not agree with the proposal. If the carrying amount of an investment in associate is tested for impairment as a single asset as proposed by the amendment to paragraph 33 of IAS28, such a single asset must be regarded as an equity investment. However, paragraphs 66 and 69 of IAS39 prohibit the subsequent reversal of impairment losses on equity investments. Therefore, we believe that the proposal in the exposure draft which allows subsequent reversal of impairment losses on it involves obvious inconsistency.

**Question 30**

Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

7. We agree with the proposal. However, if there are some situations where it is unclear whether contracts linked to non-financial variables are specific to a party to the contract, the issue of the definition of insurance contracts in IFRS4 still remains and needs further consideration.

We hope that our comments will contribute to the work of the IASB in arriving at its final decision.

A handwritten signature in black ink, appearing to read 'Ikuo Nishikawa'.

Ikuo Nishikawa

Chairman, International Issues Standing Committee

Chairman, Accounting Standards Board of Japan