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September 25 2008

International Accounting Standards Boards
30 Cannon Street
London EC4M 6XH, United Kingdom
Dear Sir or Madam,

Comments on the DISCUSSION PAPER
"Preliminary Views on Amendments to IAS 19 Employee Benefits"

Nippon Keidanren appreciates this opportunity to comment on the Discussion Paper (the DP) "Preliminary Views on Amendments to IAS Employee Benefits." We recognise several issues lie in the current standard, and we also understand that the existing IAS 19 needs review from a long-term perspective. However, if the IASB is to issue a final standard resulted from the Post-employment Benefits project by June 2011, the scope of the project should be limited to areas that are reasonably achievable, considering the consistency within the standard and coherency with other accounting practice. Our comments are as follows.

1. The DP proposes that entities should recognise the funded status of a defined benefit promise (that is, the value of plan assets less the value of defined benefit obligation) as an asset or a liability in the statement of financial position and concurrently recognise changes in that funded status in its statement of comprehensive income immediately, without deferred recognition. Paragraph 2.7 of the DP notes the main criticism of the deferred recognition model that an entity may recognise an asset (liability) when a plan is deficit (excess). In order to resolve these problems, however, recognising funded status of a defined benefit promise in the statement of financial position would be sufficient, as in the SFAS No.158 *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"* and there is no need to fundamentally change the basic approach in measurement of net defined benefit cost under the existing IAS 19. This change will bring out big discussions, therefore, it should not be dealt with in this phase of the project. (Question 2)

2. The DP proposes three ideas on the presentation of defined benefit promises. We, however, do not agree to any of those proposals. As stated above, the view that the basic approach in measurement of net defined benefit cost under the existing IAS 19 should not be changed in this phase of the project. The actuarial gains or losses and past service costs that arise during the period should be recognised as a

component of other comprehensive income and included in the accumulated other comprehensive of the statement of financial position. Then, it should be recycled as net defined benefit cost with deferred recognition. To recognise actuarial gains or losses outside profit or loss without recycling, means to distort net profit as business performance. Therefore, this should not be discussed separately from "The Presentation of Financial Statements" project. (Question 3)

3. The DP proposes that post-employment benefit promises, which are currently classified as defined contribution plans or defined benefit plans, should be classified as contribution-based promises or defined benefit promises, and that cash balance plans, which are currently categorized as defined benefit plans, should be categorized as contribution-based promises. Our view, however, is that the IASB should withhold its new proposal of classification, because in many cases, such as in a variable return promise linked to a yield of government bonds, measurement requirements in the existing IAS 19 could be applied appropriately. The proposal set out in the DP does not offer adequate classification. The way of classification in the existing IAS 19, which classifies post-employment benefit promises as defined contribution plans or defined benefit plans, is clear and its definition is easy to understand. In addition, it has advantage from practical perspective, because there is consistency in valuation method of benefit obligations. (Questions 5 and 6)

4. In addition, the DP proposes that an entity should measure its liability for a contribution-based promise at fair value assuming the terms of the benefit promise do not change. However, it is very difficult to gain information on credit risk that could adequately measure liability for a contribution-based promise, and there lies the issue about a decrease of a liability and thus recognition of gains resulted from an increase of credit risk of the reporting entity. For these reasons, the IASB should withhold to discuss the new proposed classification.

If you have any comments or questions regarding our comments, please do not hesitate to contact Takashi INOUE, kigyo-kaikei@keidanren.or.jp.

Sincerely,

Nippon Keidanren
Economic Policy Bureau II

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