27 May, 2005

Mr. Fabrice Demarigny
Secretary General
Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris
France

Re: METI's response to the public consultation on the Draft Technical Advice on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information

Dear Mr. Demarigny

The Study Group on the Internationalization of Business Accounting of the Ministry of Economy, Trade and Industry (METI) has set the goal of working toward convergence in business accounting so as to contribute to the development of international capital markets and the promotion of investments. The study group considers the EU's evaluation on the equivalence of Japanese GAAP to be an interim phase of the process, and regards it as an extremely important issue, from the perspective of facilitating business transactions between Japan and the EU.

The study group, based on analysis and practice of individual accounting standards as well as opinions given not only by Japanese investors and market-players but also by European and U.S. companies and investors operating in Japan, has concluded that Japanese GAAP, in which individual standard items indispensable to European investors, etc. are clearly stipulated in an explainable format, is equivalent to IFRS in terms of its usefulness and comparability.

The draft technical advice published by CESR evaluates Japanese GAAP as a whole to be equivalent to IFRS, which we highly appreciate. However, at the same time, the draft advice requests the disclosure of a vast amount of numerical information or supplementary financial statements as remedies. This will impose an excessive burden on Japanese companies, and we strongly fear that if it were actually required as an obligation, many Japanese companies would be forced to withdraw from European markets. We are concerned that such a request would hamper economic development both in Japan and the EU, including active investments and industrial cooperation, and damage economic relationships between Japan and the EU.

CESR should fully understand the basic ideas of the concept paper and pay attention only to such differences that will have a significant impact on investors in making decisions, instead of focusing on detailed technical differences. There are rational reasons behind individual national standards, and differences between national accounting standards should not become obstacles to investors in making international comparisons, as long as the impact of such differences is clearly disclosed. It would be appropriate rather to adopt accounting standards that are suitable for the situation in the country where the company operates its major business, because such standards will describe the actual conditions of the company more properly.

We have already presented and explained "The Report on the Internationalization of Business Accounting in Japan" of the Study Group to Chairman John Tiner and other CESR members. We hope that they will review the report before the technical advice is finalized. We would like to stress, among other things, that the application of the pooling of interests in accounting for business combinations has been accepted only in certain strictly limited cases in order to reflect more properly the economic activity and reality of a true merger-of-equals,, and it should help improve, rather than harm, the reliability of financial statements (page 12 of the report).

We would greatly appreciate it if you would seriously consider our views.

Sincerely yours,

Kazuo Hiramatsu

Chairman of the Study Group
on the Internationalization of Business Accounting
Ministry of Economy, Trade and Industry
Japanese Government