**Accounting Standards Board of Japan (ASBJ)**
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ASBJ FASF

February 25, 2008

Committee of European Securities Regulators
11-13 Avenue de Friedland
75008 Paris
France

Dear Sirs,

## Comments on the Consultation Paper "CESR's advice on the equivalence of Chinese, Japanese and US GAAPs"

- The Accounting Standards Board of Japan (ASBJ) welcomes that the Committee of European Securities Regulators (CESR) gave us an opportunity to comment on the consultation paper "CESR's advice on the equivalence of Chinese, Japanese and US GAAPs" (CESR's Advice).

- Firstly, we would like to emphasize that the ASBJ is making efforts to achieve our ultimate goal toward a single set of accounting standards which are of global high quality.

- We appreciate that the CESR announced its draft advice that Japanese GAAP is considered to be equivalent to International Financial Reporting Standards (IFRSs) based on the holistic approach in taking account of our progress toward convergence. We also appreciate that the CESR assessed our efforts appropriately by mentioning in its draft advice about the initiatives toward the convergence between Japanese GAAP and IFRSs as well as the Tokyo Agreement.

- As our project plan sets out an estimated timetable for each project, the ASBJ published an accounting standard, exposure draft and discussion papers on the following short term convergence projects on December 27, 2007;
  - Accounting standard on construction contracts
  - Exposure draft of accounting standard on asset retirement obligations
  - Discussion paper on business combinations
  - Discussion paper on research & development costs

- The ASBJ is currently proceeding on the projects on the items advised by the CESR in June 2005 for the purpose of EU equivalent assessment as a highest priority under the due process. In cooperating with constituents, we expect to finalize the projects in line with our project plan.

- In addition, regarding the other joint projects in the Memorandum of Understanding (MOU) between the IASB and the FASB, the ASBJ will be fully involved in their discussion on those projects from early stages so that the international approach would be accepted in Japan when new accounting standards are finalized and become effective. As its first step, the ASBJ established the technical committees, which are composed of constituents, for deliberating issues on the projects on scope of consolidations, financial statement presentation, revenue recognition, liabilities and equity, and financial instruments. Following the publication of discussion papers on the above projects by the IASB, the ASBJ will discuss the same topics on the projects to publish the discussion papers for public comment.

- We hope that the CESR assesses our efforts appropriately and submits a final advice to the EC that Japanese GAAP is deemed to be equivalent to IFRSs.

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Ikuo Nishikawa
Chairman, Accounting Standards Board of Japan

Attachments:

- Press Release: Release of Project Plan-Initiatives toward international convergence of accounting standards based on the Tokyo Agreement (December 6, 2007)
- Press Release: The ASBJ and the IASB announce Tokyo Agreement on achieving convergence of accounting standards by 2011 (August 8, 2007)

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**Release of Project Plan – Initiatives toward international convergence of accounting standards based on the Tokyo Agreement**

December 6, 2007
Accounting Standards Board of Japan

The Accounting Standards Board of Japan (ASBJ) works on the initiatives toward international convergence of accounting standards, based on the "Medium-Term Operating Policy" issued in June 2007. ASBJ publishes today the new Project Plan approved at the Board meeting held on December 6, 2007, which is based on the Tokyo Agreement on achieving convergence of accounting standards jointly announced with the International Accounting Standards Board (IASB) in August 2007. The Project Plan is released with the aim of exhibiting the status of initiatives of the ASBJ to constituencies in Japan and abroad.

The project plan, in accordance with the content of the Tokyo Agreement, classifies the project items into three categories (short-term, medium-term and medium and long-term) and indicates the schedule for each item. Items exhibited in "2. Items relating to the remaining differences (medium-term)" and "3. Items relating to MOU between IASB and FASB" are only the items that have already been launched or clearly planned. ASBJ intends to launch several additional projects according to need.

Based on the Project Plan, ASBJ will steadily work on initiatives toward international convergence to high quality accounting standards.

# ASBJ Project Plan

## - Items related to convergence -

***December - 2007***

| | 2007 | 2008 | | | | 2009 | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | 4Q | 1Q | 2Q | 3Q | 4Q | 1-2Q | 3-4Q | |
| ***1. Items advised by CESR for EU equivalence assessment purpose (short-term)*** | | | | | | | | |
| **Business combinations (STEP1)** ***see note2*** | | | | | | | | |
| **Pooling-of-interest method** | RR/DP | | ED | | Final | | | |
| **Others** ***see note3*** | RR/DP | | ED | | Final | | | |
| **Inventories (LIFO)** | | ED | | Final | | | | |
| **Uniformity of accounting policies(Associates)** | ED | | Final | | | | | |
| **Impairments of fixed assets** ***see note4*** | | | | | | | | The ASBJ will deliberate this item considering developments at IASB/FASB. |
| **Intangibles (R&D expenses)** | DP | | ED | | Final | | | The ASBJ will deliberate this item considering developments at IASB/FASB. |
| **Construction contracts** | Final | | | | | | | |
| **Asset retirement obligations** | ED | Final | | | | | | |
| **Retirement benefits** | | ED | | Final | | | | |
| **Disclosure of FV information of financial instruments** | | Final | | | | | | |
| **Investment property** | TC | | ED | | Final | | | |
| ***2. Items remaining differences between Japanese GAAP and IFRSs except above (medium-term)*** | | | | | | | | |
| **Segment reporting** | | Final | | | | | | |
| **Business combinations (STEP2)** | | | | | | | | |
| **Issues for PHASE Ⅱ** | | | | | | | ED | The final standard expected to be issued in 2010. |
| **Amortization of goodwill** | | | | | | | ED | The final standard expected to be issued in 2010. |
| **Retrospective restatement** | | | | | | | | This project is subject to consistencies of Financial Instruments and Exchange Law, etc. |
| **Change in accounting policy** | | | (DP) | | | ED | Final | |
| **Depreciation method** | | | (DP) | | | ED | Final | |
| **Discontinued operations** | | | | | | | | Both ED and final standard expected to be issued in 2010. |
| ***3. Items related MOU between the IASB and the FASB (medium and long-term)*** | | | | | | | | |
| **Scope of consolidations** | | | | DP | | | | IASB expects to issue the DP in 2nd half of 2008. |
| **Finacial statement presentation** | | TC | | | DP | | | IASB/FASB expect to issue the DP in 1st half of 2008. |
| **Revenue recognition** | | TC | | | DP | | | IASB/FASB expect to issue the DP in 1st half of 2008. |
| **Liabilities and equity distinctions** | | WG | | | | | | FASB issued the DP in November 2007 and IASB expects to issue the DP in 1st half of 2008. |
| **Financial instruments** | | | | | DP | | | IASB/FASB expect to issue the DP in 1st half of 2008. |

**(Note1)**

***For "2007/ 2009" column:***

**WG**: Working Group to be established.
**TC** : Technical Committee to be established.
**RR** : Research Report to be issued.
**DP** : Discussion Paper to be issued.
**ED** : Exposure Draft to be issued.
**Final**: Accounting Standard/Guidance, etc.

**(Note2)**

ASBJ will divide "Business combinations project" into STEP1 and STEP2.
STEP1 deal with the items related to EU equivalence assesment, and STEP2 take up others.

**(Note3)**

"Business combinations-STEP1(others)" includes issues for "Date of exchange", "Negative goodwill", "Minority interests at historical cost", "Step acquisitions", and Translation of goodwill".

**(Note4)**

No schedule has been fixed at this stage, due to monitoring progress of IASB/FASB discussions.

Press Release
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ASBJ FASF

8 August 2007

**The ASBJ and the IASB announce Tokyo Agreement on achieving convergence of accounting standards by 2011**

Ikuo Nishikawa, Chairman of the Accounting Standards Board of Japan (ASBJ), and Sir David Tweedie, Chairman of the International Accounting Standards Board (IASB), jointly announced today an agreement (known as the Tokyo Agreement) to accelerate convergence between Japanese GAAP and International Financial Reporting Standards (IFRSs), a process that was started in March 2005.

As part of the agreement the two boards will seek to eliminate by 2008 major differences between Japanese GAAP and IFRSs (as defined by the July 2005 CESR assessment of equivalence), with the remaining differences being removed on or before 30 June 2011. Whilst the target date of 2011 does not apply to any major new IFRSs now being developed that will become effective after 2011, both boards will work closely to ensure the acceptance of the international approach in Japan when new standards become effective.

Commenting on the agreement, Mr Ikuo Nishikawa said:

> We have reaffirmed our commitment to convergence and are pleased to have an opportunity to increase the significant involvement of the ASBJ and Japan more generally in the international standard-setting process. It is expected that this agreement will enable Japanese companies to publish financial statements prepared under Japanese accounting standards without any remedies continuously in the EU and other capital markets using IFRSs.

Sir David Tweedie said:

> We are delighted that the ASBJ, representing the interests of the second largest economy in the world, has agreed to accelerate convergence between Japanese GAAP and IFRSs and look forward to its active participation in shaping the future direction of international financial reporting standards.

8 August 2007
Accounting Standards Board of Japan
International Accounting Standards Board

## Agreement on initiatives to accelerate the convergence of accounting standards

The Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) share the belief that convergence towards high quality accounting standards will greatly benefit capital markets around the world. They therefore launched a joint project in March 2005 with the final goal of accomplishing convergence between Japanese GAAP and International Financial Reporting Standards (IFRSs). In their discussions in this joint project, the boards have identified differences between the two sets of standards and have made progress towards eliminating those differences.

In the light of the growing acceptance of IFRSs by major economies throughout the world, the ASBJ and the IASB agree that the acceleration of convergence of Japanese GAAP and IFRSs is the strategic priority of their joint convergence efforts. Consistently with this objective, the ASBJ and the IASB have agreed to pursue the strategy outlined below, which includes defined target dates for short-term and longer-term convergence projects. In pursuing this strategy, the ASBJ and IASB recognise the need to consult interested parties, including regulators, and to follow their respective due process requirements for the development of accounting standards.

### Completion of short-term convergence projects by 2008

The goal by 2008 is to reach a conclusion that eliminates the differences or provides compatible accounting standards for the items which in July 2005 the Committee of European Securities Regulators (CESR) advised remedies as to the financial statements prepared under Japanese GAAP in connection with the equivalence assessment by the European Commission. Consequently, convergence in major areas of existing Japanese GAAP and IFRSs will be achieved through these projects.

### Establishing a 30 June 2011 target date for other convergence topics

The goal by 30 June 2011 is to bring about convergence on the remaining differences between Japanese GAAP and IFRSs that have been identified by the boards, but are not part of the 2008 projects. The target date does not apply to any area of difference on which the IASB now has a major project that will result in a new standard with an effective date after 30 June 2011. However, to achieve the ultimate objective of convergence of Japanese GAAP and IFRSs in these remaining areas, both boards will work closely to ensure the acceptance of the international approach in Japan when new standards become effective.

The ASBJ and the IASB will proceed with the projects expeditiously and steadily in the light of the changing environment surrounding global convergence of accounting standards and will enhance co-operation to facilitate greater input in the international standard-setting process from Japan. For this purpose, in addition to the joint meeting between representatives of the ASBJ and the IASB held semi-annually since 2005, both boards will establish working groups led by directors in order to further discuss the major issues emerging in the development of accounting standards in a practical manner.

The ASBJ and the IASB both recognise the need to undertake these works in a manner that is consistent with their respective established due processes, including consultation with constituents regarding ongoing joint efforts.

* * *

It is expected that this Agreement by the ASBJ and the IASB will contribute to the achievement of global convergence of accounting standards through the efforts and actions of not only both boards but also many concerned parties—including preparers, auditors, investors and regulators.