

7 September 2009

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

Dear Sir/Madam

**Re: Exposure Draft – Classification of Rights Issues - Proposed amendment to IAS32
Financial Instruments: Presentation**

We welcome the opportunity to comment on the Exposure Draft *Classification of Rights Issues (Proposed amendments to IAS32)*. The views described below are those expressed by the Financial Instruments Technical Committee of the Accounting Standards Board of Japan (ASBJ).

I. General Comments

We agree with the proposal that requires a rights issue which is offered pro rata to all of an entity's existing shareholders and whose exercise price is fixed to be recognized as equity, regardless whether its exercise prices is different from the entity's functional or reporting currency.

II. Responses to the Invitation to comment

Please see the following for our comments to the specified questions set out in the Invitation to comment in the Exposure Draft. We hope that you will fully take account of our comments before finalising the amendments.

Question 1 – Specifying the characteristics of the rights:

The proposed amendment applies to instruments (rights) to be offered pro rata to all existing owners of the same class of equity instruments and the exercise price to be a fixed amount of cash in any currency.

Do you agree with the proposal to limit the amendment to instruments with these characteristics? If not, why? Are there any other instruments that should be included and why?

Response:

1. We agree with the proposal which makes a limited amendment to the instruments with specific characteristics in an accelerated manner.
2. We are aware that the classification of liability and equity is examined under a separate project in a comprehensive manner; however, as noted in BC12, the amount of the relevant transactions may be large and their impact on financial reporting would be significant. As financial reporting should reflect the economic reality, when it is found that the treatments in accounting standards are

inappropriate, they should be fixed on a timely basis so as to enhance the public trust in financial reporting.

3. In addition, we believe that the transaction giving the right to an entity's existing shareholders in a disproportional manner or the one giving the right to a limited number of shareholders should not result in the equivalent conclusion, since in such cases the right is not considered to be offered to them in the capacity of shareholders.

Question 2 – Specifying the currency of the exercise price:

The proposed amendment specifies that the fixed amount of cash the entity will receive can be denominated in any currency. If that currency is not the entity's functional or reporting currency, the proceeds it receives from the issue of its shares will vary depending on foreign exchange rates.

Do you agree with the proposal to permit an entity to classify rights with the characteristics set out above as equity instruments even when the exercise price is not fixed in its functional or reporting currency? If not, why?

Response:

4. We understand that the proposal to require an entity to classify rights issue offered pro rata to all an entity's existing shareholders whose exercise price is fixed to be recognized as equity better reflects the underlying thoughts of the extant IAS32; therefore, we agree with the proposal.

Question 3 –Transition:

The proposed change would be required to be applied retrospectively with early adoption permitted.

Is the requirement to apply the proposed change retrospectively appropriate? If not, what do you propose and why?

Response:

5. We understand that the relevant transaction should be infrequent but their impacts may be significant; therefore, we support the proposed retrospective application, so as to ensure the comparability of financial reporting.

Yours sincerely,



Atsu Kato
Chairman of the Financial Instruments Technical Committee
Board member of the Accounting Standards Board of Japan