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February 24, 2011

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Comments on Paper for Public Consultation ***"Status of Trustees' Strategy Review"***

Nippon Keidanren pays all respect to the IFRS Foundation (IFRSF)'s effort to undertake a comprehensive review of its organization toward the next decade in order to achieve its ultimate objective of single set of global standards, and we also appreciate this opportunity to comment on Paper for Public Consultation "Status of Trustees' Strategy Review".

Our comments are as follows.

Question 1

We have a concern that the current standard-setting process puts too much emphasis on needs of financial statement users, while the current business, corporate practice and costs on preparers are not sufficiently taken into account. The Constitution's objective should cover the viewpoint to secure the appropriate balance between investors/financial statement users and preparers.

Question 3

We believe the current three-tier governance structure is appropriate. Nevertheless, we would like to request the IFRSF to appoint members of each organization taking good balances into consideration in terms of the geographical allocation or the professional backgrounds.

Question 5

As commented in our response to Question 1 above, we believe the standard-setting process should be improved, since we are concerned that the current procedure puts too much emphasis on needs of financial statement users. The actual business activities, corporate practices and costs on preparers should sufficiently be taken into account in standard-setting process.

It should be verified once again whether the accounting standard satisfies the investors' true needs or whether the relationship between the costs and benefits is fully considered. It is possible that the theoretically-oriented accounting standard which deviates from the current business and corporate practices largely exceed the investors' request level. For example, with regard to the accounting for employee benefits, the IASB is considering to prohibit recycling of remeasurement presented in other

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comprehensive income (OCI) to profit or loss. As the current framework of 'net income' will be distorted and the information value for investors will be damaged by the proposed non-recycling, it is not useful for investors as well. When considering the relationship between the costs and benefits, the benefit for the senior executives of corporations should also be accounted, such as usefulness for business management. In the same example above, the benefit for business management shall be damaged, as non-recycling of remeasurement will interfere the appropriate cost accounting to allocate the employee benefit costs to inventories.

With regard to priorities for the IASB work programme, important discussions are left behind, such as a discussion on concept for 'net income', 'comprehensive income' and 'recycling'. We believe that each view from various stakeholders including preparers among diverse regions and countries should be reflected in the standard-setting process.

Also, the postponement of work plans for certain projects strongly indicate that standard-setting process does require ample time. We, therefore, request not to proceed standard-setting without considering thoroughly.

Question 6

While IFRS has been adopted and implemented on a global basis, it is inevitable that various problems are derived from business custom, law or regulation of each region's or country's own. Therefore, it is getting more important for the IASB to find out such problems and provide solutions by cooperating with relevant institutions of each country such as standard-setters. For example, practical issues in the adoption of IFRS in Japan are well managed through the communication framework between the ASBJ and the IASB. As a result of such effort, the IFRSF published the education notes called "Depreciation and IFRS", which we would like to express our sincere gratitude once again. We would like the IASB to keep actively working on various problems in the adoption of IFRS in each country.

In addition, we believe that the IASB should verify if the application of IFRS in each country satisfies the fundamental objective or intention of IFRS. Taking such verification into account, the ISAB shall be required to pay attention to issues related to the consistent application and implementation through the relevant solutions such as improvement or development of IFRS or IFRIC.

Question 7

As IFRS is a capital market infrastructure on a global basis, it is unquestionable that sufficient resource should be allocated to its development and maintenance. We believe that more sustainable financing mechanism should be considered, which does not force particular stakeholders to bear financial responsibility.

Sincerely,

Nippon Keidanren
Business Infrastructure Bureau