



3-2, OTEMACHI 1-CHOME, CHIYODA-KU, TOKYO 100-8188, JAPAN

Feb 7, 2013

Mr. Hans Hoogervorst
Chairman, International Accounting Standards Board
30 Cannon Street, London EC4M 6XH
United Kingdom

Ms. Leslie F. Seidman
Chairman, Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116
United States

Dear Mr. Hoogervorst and Ms. Seidman:

Re: Re-exposure Draft on Leases

Thank you for visiting Keidanren last year despite your busy schedule during the visit to Japan. I appreciate your tireless efforts toward developing high-quality accounting standards and assure you that Keidanren continues to support such efforts.

As you are fully aware, Japanese multinational corporations listed on the stock exchanges have been preparing consolidated financial statements in accordance with US GAAP or IFRSs. In addition, an increasing number of Japanese companies are expected to adopt IFRSs going forward, and Keidanren continues to provide them with support. Amid this trend, the Japanese business community watches with great interest the developments of the IASB and the FASB's MoU projects. In particular, regarding the Leases project, we understand that the Boards reached tentative decisions on a re-exposure draft and other matters last year and plan to publish the draft in the near future.

The leases standards are of great importance to the business community as they affect virtually all corporations. The convenience leases offer has helped many companies expand their business activities and contribute economic growth. We therefore believe that, when revising these accounting standards, the Boards should listen to the opinions of a broad range of stakeholders in order to develop a standard that takes into

account various elements, especially a proper balance between burdens on preparers and the needs of and benefits to investors. As you know, Keidanren has submitted its comments on the 2010 Exposure Draft (see the attachment), and Japanese corporations voiced their opinions at the last year's outreach meeting.

Yet, as for the tentative decisions the IASB and the FASB reached last year, the Japanese business community has the following concerns at present:

- The tentative decisions do not seem to have sufficiently resolved the issues Keidanren had pointed out in its December 2010 comment letter on the Exposure Draft.
- Under the new standard, transactions made for the purpose of receiving services would ultimately be accounted for as financial transactions. With this treatment not reflecting the economic reality of transactions, the usefulness of financial statements might be undermined.
- It seems that, while addressing the needs of and providing benefits to financial statement users, the new standard would only bring additional costs to preparers. In this regard, the new standard might be unbalanced.
- When adopting the new standard, companies might face confusion including accounting audits and other work.
- It is our understanding that the issues stated above have also been pointed out by European and US business communities. This seems to suggest that the new standard would not reach the levels required to constitute a single set of high-quality standards that satisfy stakeholders around the world.

In its comment letter on the IASB Agenda Consultation 2011, Keidanren proposed that, if the Leases and other projects listed as existing priorities have not progressed as planned, the Board should reconsider how to proceed with them, including narrowing down the scope of discussion.

As a formal re-exposure draft on leases has not yet been published, there are numerous points whose technical and other details remain unclear. Nonetheless, I hope that, by informing you in advance of the concerns the Japanese business community has at this stage, more careful consideration will be given to the new standard at the IASB and



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the FASB. Once the re-exposure draft is published, Keidanren will submit its official comments anew.

Thank you very much for your attention to this matter. I look forward to seeing you in the not too distant future.

Sincerely yours,

A handwritten signature in black ink, appearing to read "K. Kama", written over a horizontal line.

Kazuaki Kama

Chairman, Committee on Corporate Accounting
Keidanren