

Accounting Standards Board of Japan  
Kowa Building No.9,  
1-8-10, Akasaka, Minato-ku, Tokyo 107-0052  
Japan  
Tel: +81-3-5561-8449  
Fax: +81-3-5561-9624  
<http://www.asb.or.jp>



March 19, 2004

Kevin Stevenson  
Chairman  
International Financial Reporting Interpretation Committee

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

Dear Kevin,

**Comments on IFRIC D3 “Determining whether an Arrangement contains a Lease”**

The Accounting Standards Board of Japan (ASBJ) is pleased to comment on IFRIC D3 “Determining whether an Arrangement contains a Lease”. The International Issues Standing Committee of ASBJ has considered this issue as a liaison standard setter and expresses concerns. We hope that our comment will contribute to the discussion in both IFRIC and IASB.

Best Regards,

Masayoshi Ogiwara

International Issues Standing Committee  
Technical Manager, Accounting Standards Board of Japan

We have the following concerns about the proposals of D3:

First, since this draft interpretation appears to substantially propose redefinition of leases, this matter should be addressed by revising IAS17 “Lease”, not by an interpretation. Given relative abstractness of the proposed criteria, we cannot be confident in denying concern that confusion might arise from unexpected expansion of the applicable scope. Considering that the range of the parties that may be affected by this draft interpretation can be considerably wide, we think it better to consider this matter as the revision of IFRS from the viewpoint of due process.

Another question is about contracts to provide purchasers with rights to capacity, shown as example in paragraph 1. We think there is room for argument about whether they do meet the criterion (b) in paragraph 6, “the purchaser is able to exclude others from using the item”, although the draft interpretation seems to take it for granted. In addition, we suppose that the expected problems in such contracts could be better addressed as a revenue recognition issue.