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July 16, 2004

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

Dear Sirs,

**Comments on IFRS Exposure Draft of Proposed Amendments to IFRS 3 *Business Combinations* “Combinations by Contract Alone or Involving Mutual Entities”**

Accounting Standards Board of Japan (ASBJ) is pleased to comment on IFRS Exposure Draft of Proposed Amendments to IFRS 3 *Business Combinations* “Combinations by Contract Alone or Involving Mutual Entities”. The views expressed in this letter are those of International Issues Standing Committee of ASBJ.

With regard to Question 1, we do not agree with the proposed amendments, to remove from IFRS 3 the scope exclusions for business combinations involving two or more mutual entities and business combinations in which separate entities are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest.

**Business combinations involving two or more mutual entities**

In our view, it is difficult to apply the purchase method to business combinations involving mutual entities, because they have significantly different ownership structures from business entities and their combinations do not accompany delivery of considerations that can be measured with reliability. We believe that such combinations should be considered at later phase of the IASB Business combinations project, and therefore it is not necessary to incorporate them into IFRS 3 at the moment.

**Business combinations in which separate entities are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest**

We understand that this issue is exceptional one and has arisen only in certain jurisdictions. Therefore, we believe that Implementation Guidance or Interpretation by such jurisdictions should respond to the issue, rather than amendments to the International Standard itself.

We hope that our comments will contribute to the work of the IASB in arriving at its final decision.

Best Regards,

Ikuo Nishikawa  
Chairman, International Issues Standing Committee  
Vice-Chairman, Accounting Standards Board of Japan