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ASBJ FASF

June 2, 2006

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

Dear Sirs,

Comments on Exposure Draft of Proposed Amendments to
IFRS 2 Share-based Payment "Vesting Conditions and Cancellations"

We are pleased to comment on Exposure Draft of Proposed Amendments to IFRS 2 Share-based Payment "Vesting Conditions and Cancellations" (Exposure Draft). The views expressed in this letter are not officially those of the Accounting Standards Board of Japan (ASBJ) but those of members of International Issues Standing Committee of the ASBJ.

Question 1 – Vesting conditions

We do not agree that vesting conditions should be restricted to performance conditions and service conditions.

Some employee share purchase plans (ESPP) referred to in paragraph BC3 of the Exposure Draft require employees to make regular plan contributions over a specified period. Such requirement for contribution is not either a service condition or a performance condition. However, we believe that it should be considered as a vesting condition, because it is a condition to be satisfied by employees in order to obtain the equity instruments.

Therefore, we consider it is appropriate that failure to satisfy such conditions should be treated as forfeiture and the expenses recognized to date should be reversed.

Question 2 – Cancellations

According to our view shown in the comment on Question 1 above, cancellation by the counterparty mentioned in paragraph BC7 of the Exposure Draft are failures to meet vesting conditions. Therefore, we consider that they should be treated as forfeitures rather than in the same manner as cancellations by the entity.

We would like to add that we oppose to the requirement of paragraph 28(a) of IFRS 2. BC237 of IFRS 2 states that having adopted a grant date measurement method, the requirements for modifications and cancellations should ensure that the entity cannot, by modifying or cancelling the grant of shares or share options, avoid recognising remuneration expense based on the grant date fair values. However, we consider that recognition of expenses would become unnecessary and the expense charged to date should be reversed, because the contract between an entity and its employees disappeared due to the cancellation.

We hope that our comments contribute to the final decision of the IASB.

Best Regards,

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