

## Accounting Standards Board of Japan (ASBJ)

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October 23, 2006

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

Dear Sirs,

### **Comments on Exposure Draft of Proposed Amendments to IAS 32 and IAS 1: Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation**

We are pleased to comment on the Exposure Draft of amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: “Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation”. The views expressed in this letter are not officially those of the Accounting Standards board of Japan (ASBJ) but those of International Issues Standing Committee of the ASBJ.

We believe that the definition of financial liabilities should not be partially amended in the form of introducing exceptional criteria in the IAS 32, and that the presentation classification of the whole financial instruments, including specific financial instruments defined in the Exposure Draft, should primarily be considered in the longer-term project on liabilities and equity. However, we basically support the contents of the Exposure Draft except for disclosure issue regarding Question 3, because it is developed in the short term to classify the above-mentioned financial instruments as equity, corresponding to the concern about the consequences of applying IAS 32 that financial instruments having characteristics similar to ordinary shares is classified as liabilities.

#### **Question 1 - Financial instruments puttable at fair value**

#### **Question 2 - Obligations to deliver to another entity a pro rata share of the net assets of the entity upon its liquidation**

We agree that it is appropriate to classify the both financial instruments as equity. However, it seems that it is not clear whether any financial instruments that have characteristics similar to ordinary shares are classified as equity following the objective of this Exposure Draft, because the specified criteria for equity classification is not clear.

**Question 3 - Disclosures (a)**

We disagree with the requirement to disclose the fair values of financial instruments puttable at fair value classified as equity, as additional information about these instruments. The reason is that existing standards do not require disclosure of fair values of equity instruments.

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

Best regards,

Ikuo Nishikawa

Chairman, International Issues Standing Committee

Vice-chairman, Accounting Standards Board of Japan