

Accounting Standards Board of Japan (ASBJ)

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March 13, 2009

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

Dear Madam/Sir,

Comments on Exposure Draft of Proposed Amendments to IAS 24 Related Party Disclosures “Relationships with the State”

We are pleased to comment on the Exposure Draft (ED) of proposed Amendments to IAS 24 Related Party Disclosures “Relationships with the State.” The views expressed as follows are those of the International Issues Standing Committee of the Accounting Standards Board of Japan (ASBJ).

1. General Comments

1. Although we welcome the IASB’s continued efforts to amend IAS 24’s definition of a related party realistically, the ED proposes to expand the scope of a related party, assuming joint control is regarded as influence that is stronger than significant influence. We question that assumption considering under joint control there are multiple parties which have the similar extent of influence over an entity and thereby it would be difficult for a party to exert absolute influence as in the parent-subsidiary relation. We believe it is not necessary to expand the scope of a related party for the reason of joint control. Therefore we are not able to agree with this ED in this extent. In addition, we believe that setting an accounting standard for related party disclosures should take into account whether benefits from such disclosures justify the related costs.
2. In the following section, we would like to make comments on the Question 2, hoping that these comments are helpful to the future deliberation process of the IASB.

2. Comments on Question 2

Question 2—Definition of a related party

The exposure draft published in 2007 (2007 ED) proposed a revised definition of a related party. The Board proposes to amend that definition further to ensure that two entities are treated as related to each other whenever a person or a third entity has joint control over one entity and that person (or a close member of that person's family) or the third entity has joint control or significant influence over the other entity or has significant voting power in it.

Do you agree with this proposal? Why or why not? If not, what would you propose instead and why?

1. Joint Control

We are not able to agree with this amendment on a definition of a related party. In relation to joint control, the exposure draft proposes to amend the definition of a related party, as discussed in paragraph BC 15: "The defining characteristic of an associate is significant influence. The Board noted that joint control is generally regarded as influence that is stronger than significant influence." As a consequence, the scope of a related party proposed to amend in the ED is broader than the one in the 2007 ED.

Generally speaking, under joint control multiple parties can exercise the similar extent of influence over an entity and they check each other. Thereby it is considered to be difficult for one party to have absolute influence as a parent company has over its subsidiary. We believe it is not necessary to expand the scope of a related party for the reason of joint control as in the proposed amendments.

2. Treatment of cases where a significant investor of the reporting entity is a person

Definition of a "related party" under the ED includes an entity in which a person that has control over the reporting entity holds significant voting power or has joint control or significant influence, not only an entity that is controlled by that person.

However, it would be difficult to require an individual investor to submit the information about his/her investments in other entities than the reporting entity,

especially in case he/she does not have control over these entities (i.e., his/her percentage of shareholding is less than a majority). Therefore, we believe that it would not be appropriate in terms of cost-benefit consideration to include within a related party an entity over which a controlling individual investor in the reporting entity does not have control.

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

Sincerely yours,

A handwritten signature in black ink that reads "Take Arai". The signature is written in a cursive, slightly slanted style.

Takehiro Arai
Chairman, International Issues Standing Committee
Board member, Accounting Standards Board of Japan