

September 30, 2010

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

Dear Sir or Madame,

Comment on the Exposure Draft “*Presentation of Items of Other Comprehensive Income*
(*Proposed amendments to IAS 1*)”

We appreciate the longstanding efforts of the International Accounting Standards Board (IASB) on the financial statement presentation project and welcome the opportunity to comment on the Exposure Draft “Presentation of Items of Other Comprehensive Income (Proposed amendments to IAS 1)” (hereinafter referred to as the “ED”).

Overview

1. We appreciate the statement in paragraph BC20 of the ED that IASB has no plans to eliminate profit or loss as a measure of performance and we are in favour of the position of the ED that profit or loss would be presented in a separate section within the statement of profit or loss and other comprehensive income and would remain the starting point for the calculation of the earnings per share. In our view, profit or loss is an overall indicator of an entity’s performance that provides useful information in combination with total comprehensive income (representing changes in equity other than arising from transactions with owners during one accounting period) and other comprehensive income (representing difference between total comprehensive income and profit or loss).
2. In presenting both profit or loss and total comprehensive income, the two-statements method is considered useful in that it clearly distinguish those two performance measures. However, we are not totally opposed to the ED’s proposal to require the one-statement method as long as profit or loss is sufficiently emphasised. We appreciate the ED that clarifies emphasis on profit or loss through the title of the statement and illustrative examples and keeps articulate distinction between items of profit or loss and other comprehensive income, in addition to

stating in the Basis for Conclusions that the IASB intends to retain the presentation of profit or loss.

3. We understand the ED is simply a proposal to require presentation of profit or loss and other comprehensive income in a single continuous statement and therefore does not address the issue of recycling (i.e. adjustment between profit or loss and other comprehensive income) and of what items are included in other comprehensive income. However we believe that profit or loss is an important measure indicating an entity's performance and thus it should be avoided to substantially change the role of profit or loss by eliminating the reclassification of other comprehensive income to profit or loss. Therefore we suggest that the treatments of other comprehensive income should be considered from a comprehensive perspective in the Financial Statement Presentation project or another separate project before being addressed in the individual standards. We strongly believe that, as suggested by an alternative view¹, a thorough conceptual debate should take place to determine what should be presented as other comprehensive income and when it should be reclassified to profit or loss.

Particular (Comment to each question)

Question 1: Statement of profit or loss and other comprehensive income (the title)

The Board proposes to change the title of the statement of comprehensive income to 'Statement of profit or loss and other comprehensive income' when referred to in IFRSs and its other publications. Do you agree? Why or why not? What alternative do you propose?

4. We agree with the proposal. We consider the title of the "Statement of profit or loss and other comprehensive income" better emphasises that the statement consists of two sections—"profit or loss section" and "other comprehensive income section", than the title of the "Statement of comprehensive income".

Question 2: Statement of profit or loss and other comprehensive income (the single statement method)

The proposals would require entities to present a statement of profit or loss and other comprehensive income with two sections—profit or loss and items of other comprehensive income. The Board believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?

¹ 'Alternative view of Jan Engstrom' in the ED (paragraph AV3).

5. We are not totally opposed to the ED's proposal to require the one-statement method from the viewpoint of consistent presentation and comparability of financial statements, as long as profit or loss is sufficiently emphasised. We appreciate the ED that clarifies emphasis on profit or loss through the title of the statement and illustrative examples and keeps articulate distinction between items of profit or loss and other comprehensive income, in addition to stating in the Basis for Conclusions that the IASB intends to retain the presentation of profit or loss.

Question 3: Presentation of items of other comprehensive income (Recycling and non-recycling item)

The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?

Question 4: Presentation of items of other comprehensive income (Income taxes)

The exposure draft also proposes to require that income tax on items presented in OCI should be allocated between items that might be subsequently reclassified to profit or loss and those that will not be reclassified subsequently to profit or loss, if the items in OCI are presented before tax. Do you support this proposal? Why or why not? What alternative do you propose and why?

6. We believe that profit or loss is an important measure indicating an entity's performance and thus it should be avoided to substantially change the role of profit or loss by eliminating reclassification of other comprehensive income to profit or loss. Therefore we suggest that the treatment of other comprehensive income should be considered from the comprehensive perspective in the Financial Statement Presentation project or another separate project before being addressed in the individual standards. We strongly believe that, as suggested by an alternative view, a thorough conceptual debate should take place to determine what should be presented in other comprehensive income and when it should be reclassified to profit or loss. Therefore we do not comment on Question 3 and Question 4 that presuppose the existence of non-recycling OCI items.

* * * * *

We hope that our comments will contribute to the forthcoming deliberations in the project.

Yours sincerely,

Take Arai

Takehiro Arai

Vice-chairman of the Accounting Standards Board of Japan and
Chairman of the Financial Statement Presentation Technical Committee