

29 May 2015

Technical Director

File Reference No.2015-240

Financial Accounting Standards Board

401 Merritt 7, PO Box 5116


Norwalk, CT 06856-5116

Re: Comment on Deferral of the Effective Date - Revenue from Contracts with Customers (Topic 606)

1. The Accounting Standards Board of Japan (“ASBJ” or “we”) welcomes the opportunity to provide comments on the Financial Accounting Standards Board’s (“FASB”) Proposed Accounting Standards Update (“ED”), Deferral of the Effective Date – *Revenue from Contracts with Customers (Topic 606)*.
2. The ASBJ supports the proposal in the ED that would defer the effective date of the guidance in Update 2014-09 for one year for public business entities. In principle, we believe that deferral of the effective date of a standard after issuance should be significantly discouraged because it would risk undermining the reliability of the standard and the authority of the standard-setter. However, we think that the proposed one-year deferral is appropriate in this case, because we found that there are compelling reasons to justify the exceptional decision.
3. During our discussions with Japanese entities using US GAAP, we learned that some were of the view that it would take some more time to install the information systems that would accommodate the changes in accounting practices necessary to implement the guidance in Update 2014-09. They were of the view that the need for a sufficient preparation period is especially important where a reporting entity is required to establish and maintain relevant internal controls under the US securities regime. Others also pointed out that an additional one-year would be strongly desirable or even necessary to have a robust discussion with entities operating in the same industry. They believe that it would help them to apply the guidance contained in Update 2014-09 in an appropriate and consistent manner.

4. In addition, we think that granting a one-year deferral of the effective date would also be appropriate for the sake of global comparability of financial information for the following reasons:
 - (a) We are aware that the IASB is also willing to explore a one-year deferral regarding the effective date of IFRS 15 *Revenue from Contracts with Customers*. Considering that Topic 606 and IFRS 15 are substantially converged almost word for word, we believe that maintenance of the same effective date would be highly desirable to promote comparability of entities' reported revenue amounts. If different effective dates were chosen by the FASB and the IASB, comparability of financial information using the two sets of standards would be lowered significantly.
 - (b) Furthermore, Japanese entities that chose to use IFRSs for preparation of their consolidated financial statements (especially, multinational global companies operating with subsidiaries in the US and other regions) expressed concern that the incremental practical burden would be significant if they were required to implement the two standards with different effective dates. This is mainly because they would have to maintain dual information systems to support the parallel implementation of the two standards.
5. Finally, we would like to note our initiative to develop a new revenue recognition standard as part of Japanese accounting standards with a view to promote convergence with the guidance in Update 2014-09 and IFRS 15. In our deliberation, we have been urged by Japanese entities using the US GAAP or IFRSs to make our new revenue recognition standard available before the transition date of Update 2014-09 or IFRS 15, whereby they could reduce the burden of making adjustments necessary to prepare consolidated financial statements under US GAAP or IFRSs on the basis of individual financial statements prepared in accordance with Japanese accounting standards. Considering the significant challenges that we foresee in meeting the timeline, we welcome the proposal to defer the effective date of Update 2014-09.
6. For our comments on specific questions to the ED, please refer to Appendix-I of this letter.
7. The ASBJ hopes that our comments will be helpful for the FASB's future deliberations. If you have any questions, please feel free to contact us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Atsushi Kogasaka'. The signature is fluid and cursive, with the first name 'Atsushi' and the last name 'Kogasaka' clearly distinguishable.

Atsushi Kogasaka

Vice Chairman of the Accounting Standards Board of Japan

Chairman of the Technical Committee for Revenue Recognition in the ASBJ

Appendix-I

Comments on Specific Questions in the ED

Question 1: Should the effective date of the guidance in Update 2014-09 be deferred for one year for public business entities, certain not-for-profit entities, and certain employee benefit plans? Please explain why.

8. For the reasons explained in paragraphs 2 to 5 of this letter, we support the proposal in the ED that would defer the effective date of the guidance in Update 2014-09 for one year for public business entities.

Question 3: In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply that guidance retrospectively to each reporting period presented? Please explain why?

9. We do not think it would be appropriate to provide an optional two-year deferral for all entities that apply the guidance retrospectively to each reporting period presented.
10. As explained in paragraph 4 of this letter, we think it highly desirable to maintain the same effective date for the guidance in Update 2014-09 and IFRS 15. Taking into account the IASB's deliberation to date, it appears very unlikely that the IASB will provide an optional two-year deferral.

Question 4: Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-09? Please explain why.

11. We support the proposal to permit entities the earlier application of the guidance in Update 2014-09. Unless the earlier application is permitted, a reporting entity choosing to apply IFRS 15 from the original effective date would be required to run two different reporting systems, when it has a subsidiary with reporting responsibilities in accordance with the US GAAP. Having discussed with our constituents, we prefer that such inconvenience should be avoided by permitting the earlier application.