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19 January 2016

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Comments on Exposure Draft *Annual Improvements to IFRSs 2014-2016 Cycle*

1. The Accounting Standards Board of Japan (the "ASBJ" or "we") welcomes the opportunity to provide comments on the International Accounting Standards Board's ("IASB") Exposure Draft *Annual Improvements to IFRSs 2014-2016 Cycle* (the "ED"), issued in November 2015.

2. We agree with the proposal in the ED to amend IFRS 1 *First-time Adoption of International Financial Reporting Standards* for the reasons described in the ED.

3. However, we do not agree with the proposed amendments to IFRS 12 *Disclosure of Interests in Other Entities* because we think many of the disclosure requirements in IFRS 12 are redundant in respect of the interests within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Hence, we propose that the IASB carefully examine and deliberate on whether each of the disclosure requirements of IFRS 12 would provide useful information in respect of those interests, and therefore is to be specifically required for them in addition to those required in accordance with IFRS 5.

4. As for the proposed amendment to IAS 28 *Investments in Associates and Joint Ventures*, we agree with the proposals in paragraphs 18 and 36A of the ED that would clarity that the election of fair value measurement in accordance with of the Standard should be made on an investment-by-investment basis. However, taking into account risks of involving significant degree of hindsight, we believe that the proposed amendment should be applied prospectively (rather than retrospectively), while allowing entities to make the elections in accordance with these paragraphs at

the beginning of the annual reporting period for which these amended paragraphs are applied for the first time.

5. For our comments on specific questions to the ED, please refer to the Appendix o this letter.

6. We hope that our comments will contribute to the IASB’s redeliberations. If you have any questions, please feel free to contact us.

Yours sincerely,

Tomo Sekiguchi

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Board Member of the ASBJ

Chairman of the Technical Committee for IFRS Implementation in the ASBJ

Question 1—Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

1. We agree with the proposal in the ED to amend IFRS 1 for the reasons described in the ED.

2. We also agree with the proposal in the ED to amend paragraphs 18 and 36A of IAS 28 because we think that it would rectify the lack of clarity in the current Standard and would more faithfully represent the nature of each of the investments.

3. However, we do not agree with the proposed amendments to IFRS 12 for the following reasons:

   (a) In our view, many of the disclosure requirements in IFRS 12 are redundant in respect of interests in subsidiaries, joint arrangements or associates that are classified, in accordance with IFRS 5, as held for sale, as held for distribution to owners or as discontinued operations (hereinafter, we call them "held-for-sale-interests."), considering the measurement and disclosure requirements applied to them in accordance with IFRS 5.

   (b) Before IFRS 12 was developed, former IAS 27 *Consolidated and Separate Financial Statements* and former IAS 28 *Investment in Associates* did not require specific disclosures in respect of held-for-sale-interests. The IASB did not explicitly discuss adding disclosure requirements for those held-for-sale-interests in addition to the requirements in IFRS 5, during the development of IFRS 12. Therefore, we do not necessarily believe that it was the IASB's intention, when developing IFRS 12, to apply *all the disclosure requi*rements in IFRS 12 to held-for-sale-interests, in the same way as is applied to other interests in subsidiaries, joint arrangements or associates, with only exceptions of those in paragraphs B10-B16 of IFRS 12.

   (c) Existing disclosure requirements generally specifies applicable disclosure requirements in respect of non-current asse*t*s within the scope of IFRS 5 in a more granular manner. Consistent with the current practice, we believe it appropriate to carefully specify, if the disclosure requirements should prescribe disclosure requirements that should be applied to held-for-sale-interests, rather than providing general disclosure requirements.

4. Hence, we propose that the IASB carefully examine and deliberate on whether each of the disclosure requirements of IFRS 12 would provide useful information in respect of held-for-sale-interests, such that an extra disclosure requirement should be provided in addition to those already required in accordance with IFRS 5. In our preliminary analysis, albeit not comprehensive, we find the following as examples:

   (a) The disclosure requirements in paragraph 7 (i.e., significant judgements and assumptions in determining that an entity has control, joint control or significant influence over its investees) and those in paragraph 11 and 22(b) (i.e., disclosures required when the date of the end of the reporting period of the financial statements of subsidiaries or associates differs from that of the consolidated financial statements) of IFRS 12 would provide useful information in respect of held-for-sale-interests.

   (b) On the other hand, when considered associated costs altogether, the disclosure requirements in paragraph 12 and 21(a) (i.e., explanation of subsidiaries, joint arrangement and associates, including their names and the nature of the relationship with them), paragraph 19 (i.e., disclosure with regard to the gain or loss when the control over a subsidiary is lost) or paragraph 21(b)(i) (i.e., disclosure of whether the investments in each associate is measured using the equity method or at fair value) of IFRS 12 would not provide useful information pertaining to held-for-sale-interests.

Question 2—Transition provisions
Do you agree with the proposed transition provisions as described in the Exposure Draft? If not, why and what alternative do you propose?

5. We agree with the transition provisions, as proposed in the ED, regarding the proposed amendment to IFRS 1 and IFRS 12.

6. Yet, we do not agree with the proposed retrospective application of the amendment to IAS 28 in the ED. This is because, while prohibiting elections on investments

held at the time of the first application of amended paragraphs 18 and 36A of IAS 28 would negate the above-mentioned improvement expected to be derived from the amendment (and thus would not be preferable), retrospective elections inevitably involve significant use of hindsight.

7. Accordingly, we suggest that the proposed amendment to IAS 28 be applied prospectively to investments, while allowing entities to make the elections in accordance with paragraphs 18 and 36A of IAS 28 in the ED at the beginning of the annual reporting period for which these paragraphs are applied for the first time.