

Accounting Standards Board of Japan (ASBJ)

Fukoku Seimei Building 20F, 2-2, Uchisaiwaicho 2-Chome, Chiyoda-Ku Tokyo 100-0011, Japan
Phone +81-3-5510-2737 Facsimile +81-3-5510-2717 URL <https://www.asb.or.jp/en/>



31st July 2017

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

Re: Comments on the Exposure Draft *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)*

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcome the opportunity to provide our comments on the International Accounting Standards Board’s (“IASB”) Exposure Draft *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)* (the “ED”), issued in March 2017.
2. Our main comments on the proposed amendments in the ED are as follows:
 - (a) We disagree with the proposal to require disclosing the title and description of the chief operating decision maker (hereinafter referred to as “CODM”) because we think it may be more appropriate to address this issue as an improvement to disclosures of non-financial information provided outside the financial statements.
 - (b) IFRS Standards, including IFRS 8, should prescribe the type of information provided in the financial statements. Accordingly, we disagree with the proposal to require an explanation of why segments identified in the financial statements differ from segments identified outside the financial statements.
 - (c) We do not support the several proposed amendments to clarify the requirements because they will create differences with U.S. GAAP with limited benefits.
 - (d) IAS 1 *Presentation of Financial Statements* already requires an entity to provide additional information that is relevant to the understanding of the financial statements. We think it is inappropriate to clarify this requirement by allowing

an entity to disclose additional segment information that is not reviewed by, nor regularly provided to, the CODM and, accordingly, disagree with this proposal.

(e) We are concerned primarily with the costs of preparers for providing the restated segment information in an earlier interim period and, accordingly, disagree with the proposal.

3. For our other comments on the specific questions to the ED, please refer to Appendix of this letter.
4. We hope that our comments will contribute to the IASB's deliberations. If you have any questions, please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Yukio Ono', with a stylized flourish at the end.

Yukio Ono

Chairman of the Accounting Standards Board of Japan

<p>Question 1</p> <p>The Board proposes to amend the description of the chief operating decision maker with amendments in paragraphs 7, 7A and 7B of IFRS 8 to clarify that:</p> <p>(a) the chief operating decision maker is the function that makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity;</p> <p>(b) the function of the chief operating decision maker may be carried out by an individual or a group—this will depend on how the entity is managed and may be influenced by corporate governance requirements; and</p> <p>(c) a group can be identified as a chief operating decision maker even if it includes members who do not participate in all decisions made by the group (see paragraphs BC4–BC12 of the Basis for Conclusions on the proposed amendments to IFRS 8).</p> <p>The Board also proposes in paragraph 22(c) of IFRS 8 that an entity shall disclose the title and description of the role of the individual or the group identified as the chief operating decision maker (see paragraphs BC25–BC26 of the Basis for Conclusions on the proposed amendments to IFRS 8).</p> <p>Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?</p>
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1. We do not support the proposed amendments (a) to (c) in Question 1 with limited benefits because they will create differences with U.S.GAAP but not necessarily achieve consistent application regarding the identification of the CODM.
2. We disagree with the proposed amendment to require disclosing the title and description of the CODM. This is because the objective of this proposal is to provide information on the entity's decision-making process, as stated in paragraph BC25 in the ED, whereas many constituents, mainly preparers, think that such kind of information relates to corporate governance and thus would be better addressed as an improvement to disclosures of non-financial information provided outside the financial statements.

Question 2

In respect of identifying reportable segments, the Board proposes the following amendments:

- (a) adding a requirement in paragraph 22(d) to disclose an explanation of why segments identified in the financial statements differ from segments identified in other parts of the entity's annual reporting package (see paragraphs BC13–BC19 of the Basis for Conclusions on the proposed amendments to IFRS 8); and
- (b) adding further examples to the aggregation criteria in paragraph 12A of IFRS 8 to help with assessing whether two segments exhibit similar long-term financial performance across a range of measures (see paragraphs BC20–BC24 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?

3. First of all, we think sufficient relevant information should be provided as segment information, based on the management approach, within the financial statements rather than outside the financial statements. Even when sufficient relevant information is provided within the financial statements, we think there are cases where entities may conclude that supplementary information based on different segments may be useful and present such information in other reports. We think the entities should not be discouraged from providing such supplementary information.
4. We think that the clarifying the relationship between the supplementary information and the information provided in the financial statements would be useful. However, we think this relationship should be explained outside the financial statements and such explanation should not be required within IFRS Standards which prescribe the information to be provided in the financial statements. We note that paragraph 14 of IAS 1 states that “reports and statements presented outside financial statements are outside the scope of IFRSs.”
5. An annual reporting package comprises a wide range of reports, including press releases, and those reports may not necessarily be published before preparing the financial statements. Accordingly, we think it would be practically difficult, if not impossible, to explain the differences between these reports and the financial statements. We also think that segment information in those reports are not necessarily prepared in accordance with IFRS Standards and, accordingly, it would

be difficult for companies subject to audit to have these explanations audited before those reports are published. For these reasons, we disagree with the proposed amendment described in Question 2(a). We think this issue should be addressed as an improvement to disclosures of information provided outside the financial statements.

6. In addition, preparers and users in our jurisdiction have stated that it would be inappropriate to add any requirement that may discourage entities from voluntarily providing information that is considered to be useful outside the financial statements.
7. We do not support the proposed amendment described in Question 2(b). This is because we think that it is not necessarily clear whether all the examples described in proposed paragraph 12A of IFRS 8 should be included in the “range of measures”, and the amendment will create differences in wording with U.S. GAAP.

Question 3

<p>The Board proposes a clarifying amendment in paragraph 20A of IFRS 8 to say that an entity may disclose segment information in addition to that reviewed by, or regularly provided to, the chief operating decision maker if that helps the entity to meet the core principle in paragraphs 1 and 20 of IFRS 8 (see paragraphs BC27–BC31 of the Basis for Conclusions on the proposed amendments to IFRS 8).</p>

<p>Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?</p>

8. Paragraph 112(c) of IAS 1 requires an entity to provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of the financial statements. The first half of paragraph 20A in the ED, which states, “in addition to the disclosures required by paragraphs 21–27, an entity may disclose additional information about its reportable segments if that helps it to meet the core principle in paragraphs 1 and 20,” is consistent with this requirement and, because users generally support more information to be audited, we do not disagree with this thinking.
9. However, we disagree with clarifying this thinking in the preceding paragraph by adding the second half of paragraph 20A in the ED, which states, “this additional

information may include information not reviewed by, or regularly provided to, the chief operating decision maker”, for the following reasons:

- (a) It is unclear whether any information that is not provided to the CODM but is prepared in accordance with accounting policies different from those that are used to prepare consolidated financial statements can be included as part of “segment information” under IFRS 8.
- (b) Although we do not think entities should be discouraged from disclosing additional relevant information, we think it is important to distinguish “segment information”, based on the management approach and consistent with IFRS 8, from other additional and, therefore, information provided to the CODM should be clearly distinguished from information that is not.

10. Users in our jurisdiction requested improvements to disclosures regarding segment information that are reviewed by, or regularly provided to, the CODM. Preparers in our jurisdiction have stated that the disclosures of non-financial information outside the financial statements, rather than IFRS 8, should be improved.

Question 4

The Board proposes a clarifying amendment in paragraph 28A of IFRS 8 to say that explanations are required to describe the reconciling items in sufficient detail to enable users of the financial statements to understand the nature of these reconciling items (see paragraphs BC32–BC37 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?
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11. We agree with the proposed amendments for the reasons described in the Basis for Conclusions of the ED.

Question 5

The Board proposes to amend IAS 34 to require that after a change in the composition of an entity’s reportable segments, in the first interim report the entity shall present

restated segment information for all interim periods both of the current financial year and of prior financial years, unless the information is not available and the cost to develop it would be excessive (see paragraphs BC2–BC10 of the Basis for Conclusions on the proposed amendments to IAS 34).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

12. We disagree with this proposed amendment to restate the figures for the prior year mainly because preparers in our jurisdiction are concerned with the undue costs associated with the changes that would be required within a shorter time frame than present for their IT systems and operations. Preparers are also concerned that, in such case, there is uncertainty regarding whether they would be exempt from restating prior-year figures due to impracticability.
13. Furthermore, we think the IASB should consider the costs for entities that report quarterly may be relatively higher than the costs for entities that report semi-annually because of the time allowed before the due date and the periods subject to disclosure for entities that report quarterly may be different from the periods for entities that report semi-annually. For example, when an entity changes the composition of its reportable segments in the first quarter of the year, an entity that reports quarterly will be required to restate the segment information for the 4 quarters of the prior year for the interim report of the first quarter, whereas an entity that reports semi-annually will be required to restate the segment information for the 2 semi-annual periods of the prior year for the interim report of the first semi-annual period (that is, the second quarter).
14. On a related point, users in our jurisdiction stated that, in addition to the restated information, the explanation regarding the reasons for the change in the composition of the segments and the resulting effects would be useful.