（**Translation for reference purpose only**）

Issuance of the amendments to "Japan's Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications"

27 December 2018

Accounting Standards Board of Japan

The Accounting Standards Board of Japan ('ASBJ') undertakes the endorsement process on the Standards and Interpretations (collectively referred to as 'Standards') issued by the International Accounting Standards Board ('IASB') and issues "Japan's Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications". To date, JMIS have been issued as a result of the endorsement process covering Standards issued by the IASB by 30 June 2017, except for IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*.

For this round, the ASBJ undertook the endorsement process on IFRS 16 and Standards issued by the IASB between 1 July 2017 and 31 December 2017. Today, the ASBJ issued the amendments to "Japan's Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications", which were approved at its 399th Board meeting held on 26 December 2018. The ASBJ issued the Exposure Draft on the amendments to JMIS for public comment on 18 June 2018. Having considered the comments received on the Exposure Draft, the ASBJ finalised the amendments to JMIS.

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Background

1. Following "The Present Policy on the Application of International Financial Reporting Standards (IFRS)" (June 2013) issued by the Business Accounting Council, an advisory body to the Financial Services Agency of Japan ('FSA'), the ASBJ established the "Working Group for the Endorsement of IFRS" in July 2013 to undertake its endorsement process on the Standards issued by the IASB and issue JMIS.

2. The ASBJ issued its latest amendments to JMIS on 11 April 2018 and, as a result of its works to date, concluded its endorsement process on the Standards issued by the IASB by 30 June 2017, except for IFRS 16 and IFRS 17.

3. For this round, the ASBJ undertook the endorsement process on IFRS 16 and the Standards issued by the IASB between 1 July 2017 and 31 December 2017. As a result, the ASBJ issued amendments to *Application of "Japan's Modified International Standards"* which constitutes JMIS.

Standards covered by the endorsement process for this round

4. The scope of the endorsement process for this round is as mentioned above. Specifically, it covers the following Standards:

   (a) IFRS 16

   (b) The Standards issued by the IASB between 1 July 2017 and 31 December 2017, namely:

      (i) *Prepayment Features with Negative Compensation* (Amendments to IFRS 9) (issued in October 2017)

      (ii) *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) (issued in October 2017)

      (iii) *Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued in December 2017)

Outline of the endorsement process

5. The endorsement process is a mechanism of determining whether individual Standards issued by the IASB are acceptable in Japan and, for certain Standards, making 'deletions or modifications' when considered necessary, and having them designated by the FSA.

6. In undertaking the endorsement process on the Standards listed in paragraph 4, consistent with the previous endorsement processes, the ASBJ considered the following factors as the criteria for

endorsing individual Standards, from the viewpoints of public interest and investor protection, on the premise that the application of JMIS would be voluntary:

(a) Fundamental thinking on accounting standards generally accepted in Japan

(b) Difficulties in practice (preparation costs exceed benefits, etc.)

(c) Relationship with peripheral regulations (whether various industry regulations make it difficult, or cause significant costs to implement).

7. In addition, consistent with the previous endorsement processes, in undertaking the endorsement process on the Standards for this round, the ASBJ decided to limit the ‘deletions or modifications’ to a minimum, i.e., after thorough consideration under the policy of adopting the Standards without ‘deletions or modifications’ to the extent possible, only making ‘deletions or modifications’ for the requirements that have been determined to be unacceptable from the viewpoints of fundamental thinking on accounting standards generally accepted in Japan, difficulties in practice or relationship with peripheral regulations.

8. JMIS developed through this endorsement process play the role of expressing views in Japan on IFRS by presenting a set of accounting standards that can be practically applied. The ASBJ makes extensive efforts to convey the views in Japan to the IASB on those items for which it has made ‘deletions or modifications’ so far.

Consideration at the endorsement process for this round

IFRS 16

(Outline of consideration)

9. In considering the endorsement process for IFRS 16, the ASBJ undertook the following works:

(a) Review of the Effects Analysis on IFRS 16 by the IASB

(b) Review of the endorsement status in the European Union (‘EU’) (including Endorsement Advices to the European Commission (‘EC’) by the European Financial Reporting Advisory Group (‘EFRAG’))

(c) Follow-up of the views Japanese constituents expressed during the development of IFRS 16

10. Having considered the above matters, the ASBJ considered whether any ‘deletions or modifications’ for IFRS 16 were necessary, identifying the following issues:

(a) Recognition of assets and liabilities for all leases

(b) A single model for recognising expenses

(c) Accounting by lessors

(d) Sale and leaseback transactions

(e) Disclosures (notes)

Because (a) and (b) above are central issues, the ASBJ first assessed them individually (paragraphs 22, 23 and 28). After that the ASBJ made an overall assessment of IFRS 16 (paragraphs 36-40) based on the criteria that are to be used for the endorsement process described in paragraphs 6 and 7.

(Recognition of assets and liabilities for all leases)

11. Regarding the accounting by lessees, IFRS 16 eliminated the distinction between finance leases and operating leases in IAS 17 *Leases* and required the recognition of assets and liabilities for all leases, in principle, based on the right-of-use model in which an entity recognises an asset for the right of use whose control has been transferred to the lessee (a right-of-use asset) and a debt-like liability arising from the transfer (a lease liability).

    During the development of IFRS 16, users of financial statements from various jurisdictions, including those from Japan, appreciated this requirement on the grounds that it would contribute to enhancing the usefulness of financial information and would facilitate their analyses. However, preparers of financial statements from various jurisdictions, including those from Japan, raised various concerns, including concerns that it would not reflect the diverse economic substances of lease transactions and that the practical burden to implement the standard would outweigh its benefits.

12. Whether to recognise assets and liabilities for all leases is an issue that relates to the statement of financial position and does not necessarily relate to the fundamental thinking on accounting standards, which is one of the three viewpoints set out in paragraph 6. However, the ASBJ identified this issue as a major issue and considered it because the issue was considered to relate to the usefulness of the model underpinning IFRS 16. In addition, the ASBJ considered the issue also from the viewpoint of difficulties in practice set out in paragraph 6 because recognising assets and liabilities for all leases would involve practical burden and might affect how businesses are managed through its effects on financial measures.

Viewpoint of usefulness of the model underpinning IFRS 16

13. During the development of IFRS 16, constituents from various jurisdictions, including those from Japan, raised concerns mentioned in paragraph 11 above. In particular, the following concerns regarding the usefulness of the resulting financial information were heard, mainly from preparers of financial statements in Japan, and were also heard in the endorsement process:

(a) Leases to be recognised would have diverse economic substances and, therefore, recognising assets and liabilities for all leases would be inconsistent with their economic substances. In particular, it is questionable whether it would be useful to uniformly recognise assets and liabilities for leases with lease terms that are significantly shorter than the useful lives of the underlying assets (such as so-called rentals).

(b) Given that similar information is already provided in the notes regarding operating leases and is analysed by users of financial statements, the incremental benefit from recognising assets and liabilities for all leases would be limited to preventing structuring opportunities and thus there would be little increase in the usefulness of the resulting information.

14. In addition, some raised the concern that it is unclear how leases could be distinguished from services for which assets and liabilities would not be recognised. Those who raised this concern pointed out that, although some contracts are considered to have the nature of providing services that would provide customers with the use of the functions of the underlying assets, such contracts might be determined to be leases by emphasising the identification of the underlying assets and the control of their use.

15. Although the concerns mentioned in paragraph 13 were noted by the IASB, IFRS 16 retained the principle of recognising assets and liabilities for all leases as proposed, on the basis of the necessity to address the perceived problems and of the accounting notions supporting recognition of assets and liabilities as follows:

(a) Necessity to address the perceived problems:

(i) There is a lack of transparency of information about operating leases.

(ii) There is a potential lack of comparability between economically similar transactions.

(b) Accounting notions supporting the recognition of assets and liabilities:

(i) The right and the obligation relating to a lease meet the definitions of an asset and a liability, respectively, in the light of the IASB's Exposure Draft *Conceptual Framework for Financial Reporting* issued in May 2015, which was finalised in March 2018 with minor modifications.

(ii) Most users of financial statements view a lease as creating an asset and a debt-like liability. Recognising assets and liabilities for leases would be in line with such view held by such users.

16. Regarding the concern mentioned in paragraph 14, IFRS 16 takes a view that a lease gives rise to a right and an obligation different from those arising from a service, for which no asset or

liability is recognised. That is because it considers that a right to use an underlying asset for the lease term is transferred to the lessee when the lessor makes the underlying asset available for use by the lessee and thereby the lessee becomes obliged to the lease payment for the entire lease term.

17. Regarding the treatments in IFRS 16 as mentioned above, the US standard issued in February 2016 by the Financial Accounting Standards Board (‘FASB’), namely Topic 842 *Leases* of the FASB Accounting Standards Codification adopted similar treatments. Moreover, the EFRAG’s endorsement advice to the EC in March 2017 positively assessed the usefulness of the information resulting from the treatments under IFRS 16.

Viewpoint of difficulties in practice

18. During the development of IFRS 16, preparers of financial statements from various jurisdictions, including those from Japan, raised the following concerns regarding the requirement to recognise assets and liabilities for all leases and the identification of leases from the viewpoint of difficulties in practice:

    (a) For some industries or some types of businesses, recognising assets and liabilities for all leases might cause significant changes in the financial figures and consequently affect how entities are managed.

    (b) Recognising assets and liabilities for all leases would require entities to design and operate internal management controls to collect additional information about operating leases and to discount to calculate present value. The practical burden including that at the implementation phase might be significant and outweigh the benefits for many entities.

    (c) Undue practical burden might arise because the requirement to identify leases would treat many contracts which are not legally lease agreements as leases for accounting purposes.

19. Regarding the effect on how entities would be managed mentioned in paragraph 18(a), the Effects Analysis on IFRS 16 by the IASB analysed the effects of recognising assets and liabilities for leases on the financing activities of entities. No particular measures regarding this concern were taken by the IASB, based on the IASB’s finding that the effects of unrecognised operating leases are already taken into consideration in the financial analyses by the users of financial statements. The EFRAG’s endorsement advice provided analyses similar to the Effects Analysis on IFRS 16 by the IASB and expected no significant effects on the behaviours of stakeholders.

20. Furthermore, regarding the increase in the practical burden mentioned in paragraph 18(b), IFRS 16 does not necessarily deny that the practical burden would increase as the benefits increase. However, taking into account the concerns that the burden might outweigh the benefits, IFRS 16

provides exemptions for the recognition of assets and liabilities for short-term leases and leases of low value assets, apart from the materiality to the financial statements as a whole.

21. In addition, the concerns regarding the practical burden mentioned in paragraph 18(c) are essentially carried forward from those identified in the initial endorsement process for IFRIC 4 *Determining whether an Arrangement Contains a Lease*. The requirement to determine whether an arrangement falls within the scope of IFRS 16 in the light of its substance even when it is not legally a lease has not significantly changed from IFRIC 4. However, under IFRS 16, one of the criteria for identifying a lease under IFRIC 4, which considered only the element of benefits, were changed from the viewpoint of the transfer of control and guidance on identification of a lease was provided to serve more consistent and less burdensome application.

<u>Assessment on this issue</u>

22. As mentioned in paragraphs 13 and 14, constituents in Japan have raised concerns that recognising assets and liabilities for all leases would be inconsistent with the economic substances of leases and that some contracts that have the nature of services may be determined to be leases. Regarding the performance of operating leases, those who raised these concerns emphasise the fact that the lessor continuously makes the underlying asset available for use to the lessee during the lease term, whereas the treatments under IFRS 16 emphasise the fact that the underlying asset is delivered to the lessee to transfer the right of use. Neither of these views can be clearly denied as an accounting notion.

    In this context, as mentioned in paragraph 15(b), the IASB explains that how the lessee accounting under IFRS 16 views assets and liabilities is consistent with the views held by most users of financial statements the IASB consulted. In the practice of corporate valuation in Japan, some users adjust the information provided in the statement of financial position using the information in the notes, such as minimum lease payments, based on the view that operating leases are considered to be a means of financing just like finance leases, thereby reflecting the information about economic resources available to the entity and its payment obligations in their corporate valuations.

    Accordingly, from the viewpoint of providing information about such economic resources and obligations that is more accurate and thus enhancing the comparability across entities, the recognition of assets and liabilities would have certain usefulness and, accordingly, recognising assets and liabilities for all leases in principle is convincing to some extent.

23. In addition, regarding the difficulties in practice, the concerns raised during the development of IFRS 16, as summarised in paragraph 18, were generally common both inside and outside Japan. Furthermore, in reviewing the EU’s endorsement process on the finalised IFRS 16, there was no indication that there were other significant differences in the concerns held by constituents in

Japan and, in addition, the IASB and the FASB have no plans to conduct major reviews when early application of IFRS 16 has started and preparation for mandatory application is underway. The ASBJ has found no new circumstance unique to Japan that would lead to the conclusion that IFRS 16 would still be unacceptable from the viewpoint of difficulties in practice.

(A single model for recognising expenses)

24. IFRS 16 adopts a single model for recognising expenses under which the depreciation of the right-of-use assets and the interest on the debt-like liabilities are separately recognised, viewing all leases as transactions containing financing elements to the lessees. The ASBJ considered whether this model is acceptable because it affects profit or loss for the period and, therefore, relates to the fundamental thinking on accounting standards, which is one of the three viewpoints set out in paragraph 6.

<u>Viewpoint of fundamental thinking on accounting standards</u>

25. During the development of IFRS 16, some constituents in Japan expressed strong concerns over the single model for recognising expenses mentioned in the preceding paragraph. Those constituents argued that, similarly to the issue of recognising assets and liabilities for all leases, leases have diverse economic substances, from those close to purchases of the underlying assets to those close to services. They argued that applying a single pattern for recognising expenses for all leases would not reflect the diversity of the economic substances of leases. In particular, they were concerned over recognising expenses on a front-loaded basis, assuming interest expense elements for all leases, because, in their view, for some types of transactions the lease payments, which arise evenly in typical leases, would reflect the pattern of obtaining benefits and therefore recognising expenses evenly would be appropriate.

26. In response to the concern mentioned in the preceding paragraph, the exposure draft issued by the IASB in 2013 proposed an approach that distinguished leases between Type A leases (for which a larger proportion of economic benefits are consumed) and Type B leases (for which a smaller proportion of economic benefits are consumed) depending on the degree of consumption of economic benefits provided by underlying assets. Such an approach, in which different accounting methods are provided to reflect the differences in economic substances, depending on the degree of consumption of economic benefits by the lessee, was supported by some constituents in Japan. However, feedback on the exposure draft issued by the IASB in 2013 included views against the proposals, arguing the difficulty in determining the degree of consumption of economic benefits and the discomfort with the back-loaded pattern of depreciation for Type B leases. As a consequence, IFRS 16 adopted the single model for recognising expenses, emphasising the following features:

(a) The single model for recognising expenses would reflect the view held by most users of financial statements that a lease is a transaction containing a financing element to the lessee, regardless of the nature or the remaining useful life of the underlying asset.

(b) Depreciation and interest recognised in profit or loss correspond to the recognised right-of-use asset and lease liability, respectively, and thus the relationship between the recognised asset and liability and the recognised expenses is clear.

27. The FASB proposed in its exposure draft issued in 2013 an approach similar to that proposed by the IASB described in the preceding paragraph. However, it finally adopted a dual model for recognising expenses which distinguishes leases into finance leases and operating leases in a manner similar to the previous requirements, unlike the single model for recognising expenses under IFRS 16 and the dual model under the exposure draft. This was a consequence of having considered various relevant factors including the factor that leases have diverse economic substances and thus reflecting such diversity would provide relevant information, and the factor that the costs to accommodate the change in categorisation would have been incurred by the loss of alignment with surrounding systems including taxation. During the development of IFRS 16, the FASB's dual model was also considered, but the IASB finally adopted a single model for recognising expenses on the grounds that it would provide useful information to a broader range of users of financial statements, whereas the costs to preparers of financial statements would not significantly differ.

<u>Assessment on this issue</u>

28. The single model for recognising expenses under IFRS 16, as described in paragraph 26 (a) and (b), is based on the view that operating leases are contracts which require instalment payments for the acquisition of the right of use, and the dual model for recognising expenses, required by the FASB and described in the previous paragraph, is based on the view that operating leases are contracts which provide lessees with equal economic benefits from their access to the underlying assets over the lease term in exchange for lease payments which are usually made on a straight-line basis during the same lease term. Neither of those views can be clearly denied as an accounting notion.

    In this context, in the practice of corporate valuation in Japan, as described in paragraph 22, some users adjust the financial information based on the view that the economic substance of operating leases is not different from that of investments in property, plant and equipment using borrowings. Accordingly, information provided by applying IFRS 16, which recognises the expenses from operating leases by viewing them as transactions that involve financing, may be useful to some extent.

    Based on the above, the single model for recognising expenses adopted in IFRS 16 is convincing to some extent.

(Accounting by lessors)

29. Although IFRS 16 revised the accounting by lessees based on the right-of-use model, accounting by lessors under IFRS 16 substantially retained the treatments under IAS 17, which is based on a model that classifies leases into finance leases and operating leases depending on whether the lease is similar to an instalment sale of the underlying asset. During the endorsement process, some expressed concerns regarding the asymmetry between the accounting by lessees and the accounting by lessors, which was left inconsistent by the IASB. The ASBJ identified this concern as an issue to be considered because it was considered to be associated with the concept underpinning IFRS 16, although it does not relate to fundamental thinking on accounting standards which is one of the three viewpoints in the endorsement process set out in paragraph 6.

30. During the development of IFRS 16, the IASB initially attempted to develop symmetric accounting, but did not essentially change the accounting by lessors from IAS 17, in the light of the feedback received from constituents from various jurisdictions on the exposure drafts issued in 2010 and in 2013. Those who provided feedback did not view the asymmetry between the accounting by lessees and the accounting by lessors as a significant problem. That was partly because of the difficulty in developing symmetric accounting, that is, when derecognising a part of the underlying asset to achieve consistency with the right-of-use model, an entity would apply a unit of account inconsistent with the ordinary unit of account applied to property, plant and equipment, but on the other hand, when the underlying asset as a whole continues to be recognised by applying the ordinary unit of account, there might be a duplication in the assets recognised for the lease receivables.

(Sale and leaseback transactions)

31. Regarding sale and leaseback transactions, IFRS 16 requires that whether the transfer of the underlying asset is a sale should be determined in the light of the requirements of IFRS 15 *Revenue from Contracts with Customers,* and that the amount to be recognised as gains or losses should be the amount for the right transferred to the buyer-lessor. The ASBJ considered this treatment from the viewpoint of fundamental thinking on accounting standards, which is one of the three viewpoints in the endorsement process set out in paragraph 6, because it would affect profit or loss.

32. The issue underlying sale and leaseback transactions was whether the criteria for determining a transfer of the underlying asset as a sale were appropriate. Under the existing requirements, recognition of gains or losses were relatively restrictive because whether the transfer was a sale would be determined according to whether risks and rewards had been transferred in the circumstances in which the seller retains continuing involvement as a lessee. Under IFRS 16, the timing of recognising gains or losses on sale might change because whether a transfer was a

sale would be determined according to whether control has been transferred as specified in IFRS 15. IFRS 16 adopts this treatment for consistency with the treatment under IFRS 15, thereby resulting in an alignment in the treatment with other types of transfers of property, plant and equipment.

33. IFRS 16 limits the amount recognised as gains or losses on sale to the amount that relates to the rights transferred to a buyer-lessor. Some argued that not recognising gains or losses for the entire underlying asset would be inconsistent with the unit which is transferred. IFRS 16 explains that it adopts this treatment because, in the IASB's view, the economic nature of the sale and leaseback transaction is that the seller-lessee has sold to the buyer-lessor only the interest in the value of the underlying asset at the end of the leaseback. In reaching this conclusion during the development of IFRS 16, the IASB also considered a potential disadvantage arising from a single lease classification that gains or losses for the entire underlying asset might be recognised even when only insignificant rights are transferred.

(Disclosures (notes))

34. IFRS 16 reconsidered and enhanced disclosure requirements consistently with the changes in the accounting treatments from IAS 17. During the development of IFRS 16, preparers of financial statements from various jurisdictions, including those from Japan, raised concerns over the proposed disclosure requirements from the viewpoint of the balance between practical burdens and benefits. Therefore, the ASBJ considered the disclosure issues from the viewpoint of difficulties in practice, which is one of the three viewpoints in the endorsement process set out in paragraph 6.

35. In response to the concerns of preparers of financial statements mentioned in the preceding paragraph, some of the proposed disclosure requirements in the exposure draft, including the requirement to disclose a reconciliation of right-of-use assets and lease liabilities, were withdrawn, but other proposals which were considered useful were retained together with the establishment of the overall disclosure objectives in the light of support from many users of financial statements.

    Specifically, IFRS 16 establishes that the overall objective of the disclosures is, together with information provided in the face of the financial statements, to give a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee or lessor (paragraphs 51 and 89 of IFRS 16).

    Furthermore, to provide information that is comparable, the IASB decided to require the disclosure of quantitative information for certain items, including a maturity analysis (paragraphs 58, 94 and 97 of IFRS 16), the carrying amount of the right-of-use assets (paragraph 53(j) of

IFRS 16) and details of their changes (paragraph 53(a) and (h) of IFRS 16).

In addition, qualitative disclosure requirements (paragraphs 59 and 92 of IFRS 16) were added as a supplement to provide entity-specific information which were difficult to convey through uniform quantitative information.

(Overall evaluation in the endorsement process for IFRS 16)

36. The preceding paragraphs have outlined the concerns raised by constituents, in particular those from Japan, and how the IASB addressed them. As shown in these paragraphs, constituents in Japan expressed various concerns over IFRS 16, particularly the concern that the recognition of assets and liabilities for all leases would not reflect the diversity of the economic substances of the lease transactions, and that the concern that the practical burden would be imposed on many entities while the information resulting from the recognition of assets and liabilities for all leases would not add much benefit to users of financial statements. Some also expressed the concern about the single model for recognising expenses stating that applying a single pattern for recognising expenses for all leases would not reflect the diversity of the economic substances of leases.

37. In this context, regarding the concerns with the notion of recognising assets and liabilities for all leases and the single model for recognising expenses, stakeholders from jurisdictions other than Japan also expressed similar concerns during the development of IFRS 16. As mentioned in paragraphs 22 and 28, those concerns arise from the differences in how lease transactions are viewed, and neither of these views can be clearly denied as an accounting notion. As mentioned in paragraph 15, IFRS 16 was finalised by adopting the right-of-use model to address the lack of transparency of the information regarding operating leases. As mentioned in paragraphs 22 and 28, the improvement would contribute to the practice of corporate valuation in Japan to some extent.

38. Moreover, regarding the difficulties in practice relating to recognising assets and liabilities for all leases and to disclosures, the IASB finalised IFRS 16 after some modifications to address concerns, as described above for each issue. The ASBJ acknowledged through this endorsement process that some concerns regarding the difficulties in practice continue to remain among constituents in Japan. However, as explained in paragraph 23 for the issue of recognising assets and liabilities for all leases, the ASBJ has found no new circumstance unique to Japan that would lead to the conclusion that IFRS 16 would still be unacceptable from the viewpoint of difficulties in practice.

39. After IFRS 16 was finalised, regarding the issues set out in paragraph 10 (including concerns about accounting by lessors and sale and leaseback transactions), no significant issue has been

raised so far from other jurisdictions where IFRS is applied, and the IASB currently has no plans to conduct major reviews of the requirements in IFRS 16.

40. In the light of these circumstances, none of the abovementioned issues were considered to be as significant as those items for which ‘deletions or modifications’ have been made in JMIS. Accordingly, the ASBJ concluded that IFRS 16 would be acceptable without any ‘deletions or modifications’.

Other Standards

41. For the other Standards (paragraph 4(b)), the ASBJ considered whether ‘deletions or modifications’ were needed in the light of the criteria shown in paragraphs 6 and 7, based on the comparison with the Standards already endorsed and with the treatments under Japanese standards.

42. *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) clarified that, for long-term investments to which the equity method is not applied, impairment requirements in IFRS 9 *Financial Instruments* apply. Because the treatment which requires that a negative amount of an investment in an associate or a joint venture to be charged to the long-term interests remained unchanged, some raised the concern that the losses arising from this charge and impairment losses could be duplicated. Nevertheless, the ASBJ concluded that this problem was not so significant as to necessitate ‘deletions or modifications’.

Amendments to ‘Japan’s Modified International Standards’

Amendments to the “Application of ‘Japan’s Modified International Standards’”

43. As a result of the considerations described above, the ASBJ has amended Appendix 1 *Standards Issued by the IASB and Adopted by the ASBJ* of the *Application of “Japan’s Modified International Standards”*.

Effective date

44. “Application of ‘Japan’s Modified International Standards’” would apply to consolidated financial statements for annual periods beginning on or after its issuance date, as in the previous versions.