



26 October 2026

Mr. Sam Woods
Chair, International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

Further Follow-up on Our Views Regarding the Equity Method Project

Dear Mr. Sam Woods,

Introduction

1. Congratulations on your appointment as the Chair of the International Accounting Standards Board ('IASB'). The Accounting Standards Board of Japan (hereinafter referred to as 'we') look forward to working with you to improve financial reporting around the world.
2. This letter follows up on our letters to the former IASB Chair, Dr. Andreas Barckow, dated [7 November 2025](#) and [23 June 2026](#).

The Accounting Policy Choice

3. We appreciate the IASB's tentative decisions made at its May 2026 Board meeting related to the Equity Method, specifically 'to introduce an accounting policy choice either full or restricted recognition of gains or losses on all transactions with associates, except for gains and losses on transfers of businesses, which would be recognised in full.'¹
4. We appreciate the IASB taking the time and effort to listen to jurisdictions that expressed grave concerns about the proposals in the Exposure Draft (ED/2024/7)

¹ [IASB Update May 2026](#).

Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures (revised 202x) issued in 2024 (hereinafter referred to as ‘the 2024 ED’).

5. The 2024 ED stated that the scope of the Equity Method project excluded whether the equity method was a one-line consolidation or a measurement method. However, the elimination of unrealised gains and losses is a fundamental aspect of the equity method from a one-line consolidation perspective, and prohibiting the elimination of unrealised gains and losses would effectively have made the determination that the equity method is not a one-line consolidation. We think the tentative decision the IASB made at its May 2026 Board meeting is sensible, as it is consistent with the original scope of the project.

Different Disclosures Based on the Accounting Policy Chosen

6. In addition to introducing the accounting policy choice, the IASB tentatively decided to require different disclosures that would be required based on the accounting policy chosen. The following table summarises our understanding:

#	Full Recognition	Restricted Recognition
1	Accounting policy choice	Accounting policy choice
2	Gains and losses from ‘downstream’ transactions (as proposed in the 2024 ED)	Gains and losses from both ‘downstream’ and ‘upstream’ transactions
3	N/A	A reconciliation of the opening balance to the closing balance of restricted gains and losses, including: a. the opening balance of the restricted gains and losses b. the amounts of restricted gains and losses recognised in profit or loss included in the opening balance c. the amounts of restricted gains and losses during the period, separately disclosing the amounts recognised in profit or loss in the current period; and d. the closing balance of restricted gains and losses

4	N/A	The amount of gains and losses restricted at the end of the period and where it is included in the statement of financial position
5	N/A	The line items in the statement of comprehensive income where the restricted gains or losses have been recognised

7. First, we note that the accounting that would be required when an entity chooses to apply the Restricted Recognition approach is what is currently required under IAS 28 *Investments in Associates and Joint Ventures*. However, existing requirements do not require the disclosures of Items #2-#5 and, accordingly, providing these additional disclosures will be an additional cost for entities that choose to apply the Restricted Recognition approach.
8. We think the objective of requiring different disclosures when an entity chooses to apply the Restricted Recognition approach is to enable users of financial statements to roughly estimate the amounts that would have been reported when an entity chooses to apply the Full Recognition approach. We do not think the objective is to provide excessive details about the mechanics of the Restricted Recognition approach. The IASB tentatively decided to limit disclosures when an entity chooses to apply the Full Recognition approach, consistent with what was proposed in the 2024 ED, and we think it is important to equalise the burden imposed when an entity chooses to apply the Full Recognition approach and the burden imposed when an entity chooses to apply the Restricted Recognition approach, to the extent possible.
9. We think disclosures related to the opening balance and closing balance of restricted gains and losses when an entity chooses to apply the Restricted Recognition approach (Item #3a and Item #3d) would be sufficient to meet the objective of requiring different disclosures. Disclosing Item #3b and Item #3c requires significantly more work, and the aggregate effect of these Items can be calculated by taking the difference between Item #3a and Item #3d. Accordingly, we think a reconciliation from the opening balance and closing balance of restricted gains and losses is unnecessary.
10. We also think Item #4 and Item #5 are unnecessary. Based on the IASB's tentative decisions to date, disclosures related to the line items that would be

affected if gains and losses were restricted would not be required when an entity chooses to apply the Full Recognition approach. Accordingly, from the perspective of equalising the burden imposed when an entity chooses to apply the Full Recognition approach and when an entity chooses to apply the Restricted Recognition approach, Item #4 and Item #5 should not be required when an entity chooses to apply the Restricted Recognition approach.

11. On another note, we fully support the IASB's tentative decision to provide an exemption from disclosing gains and losses from transactions with associates only if: (i) the information disclosed can be attributed to an individual associate; and (ii) the transactions are part of the investor's ordinary activities. In this context, we question how the reconciliation can be provided when this exemption is applied. We note that, if the IASB were to adopt our recommendation in paragraph 9 of this letter, this issue would be resolved.

Concluding Remarks

12. Based on the discussions above, we are concerned that, when compared to existing requirements, entities that choose to apply the Full Recognition approach would incur less costs, whereas other entities that choose to apply the Restricted Recognition approach would incur significantly more costs. As a result, we think the accounting policy choice with the disclosures tentatively decided would provide a very strong incentive towards choosing to apply the Full Recognition approach. We encourage the IASB to reconsider the disclosures so that the burden of choosing to apply either approach would be equalised to the extent possible.
13. We hope this letter contributes to the discussion at the IASB. Your consideration is highly appreciated. If you need any further information, please do not hesitate to contact us.

Yours sincerely,



Yasunobu Kawanishi

Chair

Accounting Standards Board of Japan

CC: Ms. Linda Mezon-Hutter, Vice Chair, IASB

