

June 16, 2014

Mr. Hans Hoogervorst,  
Chairman, International Accounting Standards Board(IASB)  
Mr. Russell G. Golden,  
Chairman, Financial Accounting Standards Board(FASB)

### **Comments on IASB and FASB's Revision of Standard on Leases**

Keidanren has utmost respect for the tireless efforts of the boards to develop an accounting standard on leases. We are highly interested in the lease standard, and have expressed our opinion on various occasions. However, we are deeply concerned about the current situation, because, in our view, the boards have not reached a conclusion that is theoretically and practically acceptable after the publication of the revised exposure draft followed by the March 2014 tentative decisions on the basic accounting models and subsequent deliberations. It is regrettable to see that, after eight-year from the start of revision of the leases standard, the discussion has not yet been finalized. In our view, this is because the boards have been so obsessed with the idea of "mandating on-balance-sheet accounting for all leases", and that the boards have missed the opportunity to properly consider the substance of lease transactions in their deliberations. We urge the boards to study the substance of lease transactions worldwide once again, to clarify where problems lie, and to devote themselves for the development of a high-quality practically acceptable standard such that benefits would outweigh the costs. Otherwise, we urge the boards to avoid further unnecessary confusion, and make a proposal solely to make targeted improvement over the existing lease accounting standards: IAS 17 for the IASB and Topic 840 for the FASB.

In the March 2014 tentative decisions, the IASB and the FASB indicated that each of them would adopt different approaches for lease accounting. This gap has not been bridged in the subsequent discussions. In the IASB-FASB joint projects, the boards have so far failed to converge their standards on financial instruments and insurance contracts. If the lease project turned out to follow the same path, the IASB would greatly disappoint stakeholders who trusted it to develop a single set of high-quality global accounting standards. We value the IASB's ability to reconcile differences that exist internationally, so that international convergence of accounting standards would become a reality. This is the reason why we have so far continued to provide supports both in terms of human and financial resources. We also request FASB to take it seriously to be responsible for cooperating the convergence with IASB for stakeholders all over the world.

Therefore, we strongly encourage the IASB and the FASB to avoid separately revising lease standards with undue haste, and to continue the joint initiative to develop an international standard that can be used in many countries by making sure that market participants are fully convinced through a robust due-process.

Thank you for your attention to this matter.

Sincerely yours,

Keidanren  
Committee on Corporate Accounting  
Sub-Committee on Corporate Accounting