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IFRS Foundation Monitoring Board

Comments on Consultative Report on the Review of the IFRS Foundation's Governance

Nippon Keidanren pays all respect to the IFRS Foundation Monitoring Board (MB)'s effort to undertake a review of the governance structure supporting IFRSs and we also appreciate this opportunity to comment on Consultative Report on the Review of the IFRS Foundation (IFRSF)'s Governance.

Our comments are as follows.

Question 1

As each view from various stakeholders including preparers among diverse regions and countries should be reflected in the standard-setting process, we agree with the proposal. The members of the IASB should be appointed taking good balances into consideration in terms of the geographical allocation or the professional backgrounds.

Question 2, 3

As the importance of IFRSF and IASB has been increased further, we agree with the proposal to separate the roles of the IASB Chair and the CEO of the IFRSF and to consider the division of responsibility between each institution from the viewpoints to strengthen its governance structure toward the future. On the other hand, as the cooperation of both institutions will bring synergy effects, it is worth examining to have certain flexibilities on the daily operation of both institutions when considering the division of their responsibility. At the same time, as an oversight function is covered by the Trustees not by the IFRSF CEO in its Constitution and specific problems have not been occurred at the present, it should be noted that there are certain opinion not necessarily to change the current governance structure.

Question 4, 5

The members of the Trustees should also be appointed taking good balances into consideration in terms of the geographical allocation or the professional backgrounds. In this regard, we agree with the proposal to provide increased transparency into the process for Trustee nominations.

Question 6, 7

We understand the idea to add new MB members from major emerging markets. However, as there will be certain demerits such as less efficiency for decision-making

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brought by expanding of the membership, we request the MB to carefully consider the membership expansion. We also agree that the MB should continue to make its decisions by consensus if its scale will remain at the current level.

Question 13, 14

Since we believe that the current framework is working appropriately, certain discussion is necessary before enhancing the MB's involvement in the nomination of the IASB Chair and in the framework to ensure proper balance in the composition of the IASB.

Question 9

It is appreciated that the opportunity for all relevant stakeholders to involve in standard-setting process has been expanded by IASB's effort having roundtables or outreaches. However, we believe the standard-setting process should nevertheless be improved further, since we are concerned that the current procedure puts too much emphasis on needs of financial statement users and accounting theory rather than the needs of preparers. The actual business activities, corporate practices and costs on preparers should sufficiently be taken into account in standard-setting process.

The priorities for the IASB work programme should also be improved, as important discussions are left behind, such as a discussion on concept of 'net income', 'comprehensive income' and 'recycling'.

Question 16

We agree with the proposal to review regularly.

Sincerely,

Nippon Keidanren
Business Infrastructure Bureau