September 30, 2010

Financial Accounting Standards Board 401 Merritt 7
P.O. Box5116
Norwalk, CT 06856-5116

Dear Sirs or Madams,

Comment on the Exposure draft "Proposed Accounting Standards Update

Comprehensive Income (Topic 220)"

We are a group of Japanese companies<sup>1</sup> that is mainly comprised of companies that prepare consolidated financial statements under the accounting principles generally accepted in the United States. We appreciate your long-term efforts to improve IAS1 in the project on the financial statement presentation. The following comments are those on the Exposure Draft, "Proposed Accounting Standards Update -Comprehensive Income (Topic 220)" (hereinafter, "ED").

#### I Overview

By separately presenting net income and comprehensive income, we believe that the two-statements method is useful in clearly distinguish these two distinct performance measures.

Net income is an indicator that shows an entity's overall performance and it is accepted as the most important performance measurement indicator of a reporting entity. The ED indicated that IASB has no plan to eliminate net income as a performance measure and also acknowledged that maintaining a clear distinction between net income and other comprehensive income (hereinafter, "OCI") would be helpful to the users. Therefore, we believe that there is no objection in acknowledging the importance of presenting net income. However, a single statement with no presentation of net income amount at the bottom line of the statement would put more emphasis on comprehensive income which would be shown at the bottom line of the statement than net income. It is clear that the two-statements method is superior in presentation to the users by distinguishing the two important indicators, net income and OCI, and therefore, the two-statements method should be offered as an alternative method.

The ED does not address the issue of recycling (i.e. reclassification between net income and OCI) or items that should be included in OCI. However, we believe there should be comprehensive discussion on these two fundamental issues. This is because we are of a view that net income is an important measurement indicator of an entity's performance, and therefore, we believe that all gains and losses should be recognized in net income at least once. We are concerned that the role of net income would be significantly changed if the recycling of OCI to net income is not allowed.

## **I** Particular (Comment to each question)

<sup>&</sup>lt;sup>1</sup> The names of companies represented are noted at the bottom of this letter.

# Question 1

Do you agree that requiring a continuous statement of comprehensive income will improve the comparability, transparency, and understandability of financial statements such as relationships between changes in the statement of financial position, the components of other comprehensive income, and the components of net income in each period? If not, why not, and what changes would you suggest to amendments in this proposed Update?

We do not agree with the proposal in the ED.

By separately presenting net income and OCI, we believe that the two-statements method is useful in clearly distinguishing these two distinct performance measures. Net income is an indicator that shows an entity's overall performance and it is accepted as the most important performance measurement indicator of a reporting entity.

On the other hand, the single statement method would not show net income which is the most important performance measurement at the bottom line. As a result, a single statement with no presentation of net income amount at the bottom line of the statement would place more emphasis on comprehensive income that would be shown at the bottom line of the statement than net income. It is clear that the two-statements method is should be more useful in the presentation to the users by distinguishing the two important indicators, net income and OCI. Therefore, the two-statements method should be offered as an alternative method.

### Question 2

Do you agree that the option should continue to report the tax effect for each component of other comprehensive income either in the statement of comprehensive income or in the notes to financial statements?

We agree with retaining the option.

# Question 3

Do you believe that a requirement to display reclassification adjustment for each component of other comprehensive income in both net income and other comprehensive income in the statement of comprehensive income would improve understandability and comparability of financial statements?

We believe that a requirement would improve understandability and comparability of financial statements.

# Question 4

What costs, if any, will a reporting entity incur as a result of the proposed changes?

As the single statement method would not show net income at the bottom line, it would be costly in terms of ineffective communication between the management and the investors and also creates concerns for the management by not providing convincing reasons for the change.

We hope that our comments contribute to your forthcoming deliberations in this project.

Sincerely yours,

# A Group of Japanese Companies:

CANON INC.

**FUJIFILM Holdings Corporation** 

Hitachi, Ltd.

**KUBOTA** Corporation

Komatsu Ltd.

**KYOCERA** Corporation

MAKITA CORPORATION

Murata Manufacturing Co., Ltd.

Mitsubishi Corporation

Mitsubishi Electric Corporation

Mitsubishi UFJ Financial Group, Inc.

Mizuho Financial Group, Inc.

Nippon Meat Packers, Inc.

Nomura Holdings, Inc.

**ORIX CORPORATION** 

Panasonic Corporation

RICOH COMPANY, LTD.

SANYO Electric Co., Ltd.

Sony Corporation

**TDK Corporation** 

**Toshiba Corporation** 

Wacoal Holdings Corp.