

April 28, 2015

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O.Box5116
Norwalk, CT 06856-5116
File Reference No. 2015-220

Dear Sirs or Madams,

Comment on the Exposure Draft "Proposed Accounting Standards Update
*Derivatives and Hedging (Topic 815)-Disclosures about Hybrid Financial
Instruments with Bifurcated Embedded Derivatives.*

We are a group of Japanese companies that is mainly comprised of companies that prepare consolidated financial statements under the accounting principles generally accepted in the United States. We appreciate the opportunity to provide comments to Financial Accounting Standards Board (FASB) on this Exposure Draft, "Proposed Accounting Standards Update Derivatives and Hedging (Topic 815)" (hereinafter, "ED") regarding enhanced disclosure requirements for hybrid financial instruments with bifurcated embedded derivatives. The following comments are those on the ED.

【Question 1】

Will the amendments in this proposed Update result in more transparent, decision useful information about hybrid financial instruments with bifurcated embedded derivatives? If not, please explain why.

We certainly understand that new disclosure requirement to provide information that explicitly links bifurcated embedded derivatives with their related host contracts would generally increase transparency. However, it would not be necessarily decision-useful information. As in the case of financial institutions that provide customers with hybrid financial instruments, they generally enter into the other stand-alone derivative contracts that contain the mirror features of the embedded derivatives on the hybrid financial instruments to offset the risk of the derivatives. In such case, the new disclosure would focus on the risk of the embedded derivatives that does actually not exist because the risk of the embedded derivatives is offset by that of the stand-alone

derivatives. We believe that this supplemental disclosure would not achieve decision-useful information, but encompass misleading information.

In addition, there seems to be no persuasive reason to differentiate disclosure requirement based on the number of legal contracts that a reporting entity enters into. For example, the reporting entity X entering into hybrid financial instruments has the same exposure and the same profitability as the reporting entity Y separately entering into derivatives and host contracts does. However, the proposed disclosure requirement may lead users to misunderstand that the reporting entity Y seems more valuable than the reporting entity X that discloses the risk of the bifurcated embedded derivatives.

We are also concerned that contrary to the objective of the disclosure framework project, ED would lead to the increase in the volume of notes to financial statements by adding the disclosure which may mislead or confuse users, resulting in impediment to clearly communicating the information that is most important to users. From the perspective of a convergence between USGAAP and International Financial Reporting Standards (IFRS), FASB should make careful consideration if they plan to add new USGAAP disclosure that IFRS 7 does not currently require.

We believe that the bifurcation of the embedded derivatives enables preparers to appropriately reflect the risk/return profile of the hybrid financial instruments on their statement of financial performance and financial position. Consequently, we conclude that preparers fully and appropriately provide the information regarding derivatives financial instruments including the bifurcated embedded derivatives by primary underlying risk exposure and by purpose or strategy, pursuant to the existing disclosure requirement that is consistent with the current accounting treatments of hybrid financial instruments. Therefore, we do not believe that the benefits of this ED outweigh the costs incurred at prepares and users.

【Question 3 · 5】

Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why? How much time would be needed to implement the proposed guidance? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?

FASB does not anticipate that the amendments in this proposed ED would introduce significant incremental costs for preparers, because preparers currently comply with the existing disclosure requirement for derivatives including the bifurcated embedded derivatives. However, certain preparers such as financial institutions that invest in or issue a massive number of hybrid financial instruments, generally include the bifurcated embedded derivatives in the overall derivative portfolio and treat the related host contracts in the same manner as non-hybrid financial instruments. They also do not systematically differentiate between the embedded derivatives and the other non-embedded derivatives, because such segregation does not provide any useful information for the purposes of financial control and risk management, although the linkage between the bifurcated embedded derivatives and the related host contracts is useful information for the administrative purpose.

We are concerned that new disclosure requirement proposed in this ED would burden certain preparers such as financial institutions with substantial amount of expenditure for developing new systems or revising systems, depending on how their systems currently comply with the linkage between the bifurcated embedded derivatives and the related host contracts. It is estimated that at least three years is needed for entities that are not public business entities to develop new system and implement the proposed amendments. It is estimated that public business entities need more than three years to establish internal controls in accordance with Sarbanes-Oxley Act Section 404 over financial reporting.

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

Sincerely yours,

A Group of Japanese Companies:

KUBOTA CORPORATION

Makita Corporation

Mitsubishi Electric Corporation

Mizuho Financial Group, Inc.

Murata Manufacturing Co., Ltd.

NH Foods Ltd.

ORIX CORPORATION

Panasonic Corporation

Sony Corporation

Toshiba Corporation

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