

28 November 2008

Mr. Ikuo Nishikawa  
Chairman  
The Accounting Standards Board of Japan

**Comments on exposure draft**  
**“Reclassification of holding purposes of bonds”**

Dear Mr. Nishikawa,

The Corporate Accounting Committee (CAC) of The Securities Analysts Association of Japan (SAAJ) is pleased to comment as below on the captioned exposure draft.

The CAC presented a comment letter on 4<sup>th</sup> November regarding a discussion paper which was the basis of the exposure draft. In the comment letter we stated that based on Japanese accounting standards and the current situation of Japanese financial institutions, we considered it unnecessary to change existing rules regarding the reclassification of the holding purposes of bonds. To our regret, your Board did not accept our opinion and is now proposing permitting reclassification. Nevertheless, we are not totally unsympathetic with the decision of your Board under the circumstances where the global financial crisis has intensified since we submitted our comment letter a few weeks ago. Also, we applaud your Board’s careful and thoughtful consideration on many issues, including (1) to (5) below, some of which are emergency measures with pre-specified duration.

*(1) Information to be given in the note should be sufficiently articulate and it is mandatory the note appear in subsequent reporting periods after the period in which the reclassification occurred.*

*(2) All types of reclassification are permitted only on “rare occasions”.*

*(3) Retroactive application is permitted but only with prior management decision. Retroactivity will be made possible only after 1<sup>st</sup> October. Therefore, assuming the new regulations become*

*effective before the end of the year, retroactive application to quarters already elapsed will be impossible.*

*(4) The change will be effective only until end-March 2010, thus emphasizing that this is an emergency measure.*

*(5) Reclassification will be made at fair value, not book value.*

The CAC thus supports the exposure draft, subject to (1) to (5) above remaining in actual standards. I should add that during deliberations, one CAC member made the following comment: “When an accounting standard is forced to be revised in a crisis, it means the original standards had a defect. Hence, putting a time limit on any revision would seem to be inconsistent.”

Sincerely yours,

Keiko Kitamura

Chair

The Corporate Accounting Committee

The Securities Analysts Association of Japan