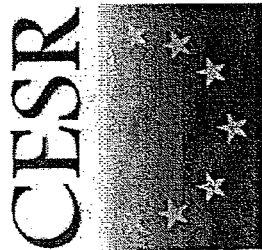


ANNEX TO THE

Report on convergence between International Financial Reporting Standards (IFRS) and third country national Generally Accepted Accounting Principles (GAAPs) and on the progress towards the elimination of reconciliation requirements that apply to Community issuers under the rules of these third countries



THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS

Appendix II: IASB / FASB work programs on the convergence between IFRS and US GAAP

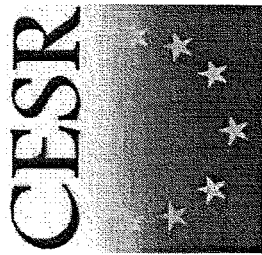
Theme	CESR remedy in 2005 advice	Summarised issues	FASB		IASB	
			Current status as of 09/07 on FASB agenda	Prospects 2008	Current status as of 09/07 on IASB agenda	Prospects 2008
Share-based payments (IFRS 2)	N/A anymore with the application of FAS 123R					
Business Combination (IFRS 3)	Disclosure B	Acquisition date - Under US GAAP, the acquisition date is ordinarily the date on which consideration passes and the acquired (net) assets are received (i.e. the date on which the transaction closes). However, if the parties agree in writing that effective control passes to the acquirer at an earlier date then that earlier date is the acquisition date. Under IFRS3 the acquisition date is the date on which the acquirer effectively obtains control of the acquiree. Under US GAAP shares issued as consideration are measured at their market price over a reasonable period of time (a few days) before and after the parties reach an agreement on the purchase price and the transaction is announced.				
	Disclosure B	In process R&D - In process R&D is capitalised under IFRS but usually expensed under US GAAP				
	Disclosure B	Negative Goodwill - Under IFRS 3 negative goodwill is recognized immediately as a gain. Under US GAAP it is initially allocated on a pro rata basis against the carrying amounts of certain acquired non-financial assets, with any excess recognized as an extraordinary gain.				
	Disclosure A	Minority interest - Minority interest under IFRS is measured at fair value but under US GAAP it is at historical cost.				

The FASB and the IASB expect to issue their final business combinations and non controlling interest standards in the 4th quarter of 2007. The standards will come into effect on 1 January 2009, which means that an entity must apply the standards for its first annual reporting period beginning on or after 1 January 2009.



Theme	CESR remedy in 2005 advice	Summarised issues	FASB		IASB	
			Current status as of 09/07 on FASB agenda	Prospects 2008	Current status as of 09/07 on IASB agenda	Prospects 2008
Business Combination (IFRS 3)	Disclosure A	<p>Step acquisitions - Step acquisitions under IFRS 3 require revaluation of previous interests at fair value at each acquisition date. Under US GAAP previous interests are not revalued, resulting in an accumulation of fair values at different dates.</p> <p>Contingent consideration - Under US GAAP, purchase price when additional consideration is issued or becomes issuable whereas under IFRS 3 it is part of the purchase price at the date of acquisition if payment is probable and can be measured reliably.</p>	The FASB and the IASB expect to issue their final business combinations and non controlling interest standards in the 4th quarter of 2007. The standards will come into effect on 1 January 2009, which means that an entity must apply the standards for its first annual reporting period beginning on or after 1 January 2009.			
Property, plant & equipment (IAS 16)	Disclosure A (if the option is applied)	Costs of replacing component parts - Costs of replacing component parts of an asset and planned major maintenance activities may be capitalized or expensed. The deferral method which is specified under IFRS is one of four possible methods under US GAAP.	Nothing specific			
Employee benefits (IAS 19)	Disclosure A	US GAAP and IAS 19 have the same objectives and follow the same principles. While there are differences, the fact that there are four broad options for defined benefit schemes available under IAS make it difficult to determine which version would be used as the basis for reconciliation, and against that background a reconciliation would not help investors' decisions. The key point is to have adequate disclosures to enable investors to make decisions	In September 2006, the Board issued Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Post Retirement Benefit Plans. In February 2007, the Board issued FASB Staff Position FAS 158-1, Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides. FSP 158-1 updates the illustrations in those documents to reflect the provisions of Statement 158. With the issuance of Statement 158 and the FSP, the Board completed phase 1 of this project. At its August 29, 2007 meeting, the Board discussed how to conduct the next phase of the project.	No publication for phase 2 is announced	On agenda - No publication yet A Discussion Paper should be issued in Q1 of 2008	

Theme	CESR remedy in 2005 advice	Summarised issues	FASB		IASB	
			Current status as of 09/07 on FASB agenda	Prospects 2008	Current status as of 09/07 on IASB agenda	Prospects 2008
Consolidated & separate financial statements (IAS 27)	Supplementary Statement	Scope of Consolidation. Under IAS 27 and SIC 12, the scope of consolidation is determined by reference to the principle of control defined in general terms as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities (IAS 27.4). Information received from the standard setter and through the consultation indicate that the issue of consolidation of Special Purpose Entities (SPE) in the US is very complex, being based on principles combined with additional guidance that altogether make the US framework close to IFRS in most cases.	The Board has on its agenda a long-term project to develop comprehensive guidance on accounting for affiliations between entities, including reconsideration of ARB No. 51, Consolidated Financial Statements.	On agenda – No publication yet	The IASB project is expected to yield a Discussion Paper in the first quarter of 2008, at which time the FASB will consider whether to issue an Invitation to Comment based on the IASB document.	
Investments in associates (IAS 28)	Disclosure B	No requirement to conform accounting policies where associate's policies are different	Nothing specific.			
Impairments of assets (IAS 36)	Disclosure B	Impairment testing. Impairments under US GAAP are based firstly on a comparison of carrying amount to the expected future cash flows to be derived from an asset (or asset group) on an undiscounted basis. If the carrying amount is lower the asset (or asset group) is not impaired, if higher then impairment is measured by comparing the carrying amount to the fair value of the asset (or asset group).			"Impairment" is a topic for short term convergence according to the Roadmap but is not on the agenda of IASB or FASB.	
	Disclosure A	Subsequent reversal of an impairment loss is prohibited under US GAAP				



THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS

Theme	CESR remedy in 2005 advice	Summarised issues	FASB		IASB	
			Current status as of 09/07 on FASB agenda	Prospects 2008	Current status as of 09/07 on IASB agenda	Prospects 2008
Provisions (IAS 37)	Disclosure A	Measurement of decommissioning provisions – discount rates are not adjusted under US GAAP	The Board decided that this project should focus on (1) certain non financial liabilities, including liabilities under FASB Statements No. 143, Accounting for Asset Retirement Obligations, and No. 146, Accounting for Costs Associated with Exit or Disposal Activities, and (2) contingencies, including contingencies under Statement 5. At a future meeting, the Board plans to clarify the scope and timing of the project, and to identify potential convergence issues relating to the IASB's project to reconsider the guidance in IAS 37, Provisions, Contingent Liabilities, and Contingent Assets.	At a future meeting and for the comprehensive project focusing on certain non financial liabilities, the Board plans to clarify the scope and identify areas for potential convergence with the IASB's project to reconsider the guidance in IAS 37. The Board also will consider the need for enhanced disclosures for contingencies after the staff obtains and analyzes constituent input.	On the Agenda (ED was issued in June 2005) but the project is not part of the MoU.	An IFRS should be issued in the first semester of 2008.
Intangibles Assets (IAS 38)	Disclosure B	Capitalisation of development costs. Development costs and purchased IPR&D are expensed under US GAAP (with some exceptions)	This potential short-term convergence project is currently in the staff research phase. The staff research consists of identifying existing differences between IFRS and U.S. GAAP relating to accounting for research and development costs and evaluating the feasibility of one or more narrowly scoped projects that would improve financial reporting in the United States while eliminating differences between IFRS and U.S. GAAP. This work will include a review of 20-F filings by foreign private issuers who are applying IAS 38, Intangible Assets (as revised in March 2004), for the first time. At the same time, the IASB staff plans to consider whether IAS 38 could be improved by incorporating aspects of U.S. GAAP, in particular, aspects of FASB Statement No. 86, Accounting for the Costs of Computer.	The draft proposal suggests that, if a broadly scoped recognition-based project is undertaken, given the significance of the possible changes to IAS 38 Intangible Assets that should be considered, it would not be appropriate to move directly to an Exposure Draft. Accordingly, the draft proposal suggests that the project work be focused towards developing a Discussion Paper setting out preliminary views on the issues prior to issuing an Exposure Draft.		



Theme	CESR remedy in 2005 advice	Summarised issues	IASB		IASB	
			Current status as of 09/07 on FASB agenda	Prospects 2008	Current status as of 09/07 on IASB agenda	Prospects 2008
Financial instruments (IAS 39)	Disclosure A	Key differences that could affect investors decisions are: • Derecognition of securitizations • Split accounting on convertible bonds • Reversal of impairments on debt securities	On research agenda and working established	A initial discussion paper should be issued in the first quarter of 2008.	On research agenda and working group established.	A DP should be issued in the first Q of 2008.
Investment Property (IAS 40)	Disclosure A	US GAAP does not permit property to be measured at fair value. A cost based method of accounting is generally required	Considered by the FASB as part of the fair value option project		Nothing specific	See Fair value project
Agriculture (IAS 41)	Disclosure B	Differences in fair value of specific agriculture items	Nothing specific			
Subsequent events (IAS 10)		Not in the advice	The Board voted to continue with its previous plans to develop standards that reflect the principles underpinning current subsequent events guidance in existing accounting standards, while considering whether certain minor differences between U.S. GAAP and the corresponding IAS 10, Events after the Balance Sheet Date, could be eliminated or minimized. The Board further decided that the project would not address inconsistencies or differences between U.S. GAAP and IFRS in the following areas: 1/ Refinancing of short-term obligations and 2/ Curing breaches of borrowing covenants.			Not on the agenda.
Income tax (IAS 12)	No	Not significant - Various differences in detail exist between US GAAP and IFRS as mentioned in the detailed response from FASB. Basics and objectives of the standards are the same in both frameworks.	The Board expects to complete deliberation of remaining issues in the third quarter of 2007. The more significant of those issues include (1) how the decision to measure deferred taxes at the undistributed rate would affect certain entities such as real estate investment trusts, cooperatives, and other similar types of entities and (2) whether to adopt proposals of the IASB relating to the definition of and accounting for special deductions.	The Board plans to issue an Exposure Draft for public comment in the 1st quarter of 2008.	On the agenda - no publication yet	Exposure Drafts are expected to be published by the IASB early in 2008. The current project plan envisages that a final standard will be issued in 2009.

Theme	CESR remedy in 2005 advice	Summarised issues	FASB		IASB	
			Current status as of 09/07 on FASB agenda	Prospects 2008	Current status as of 09/07 on IASB agenda	Prospects 2008
Leases (IAS 17)	No	Not significant - IAS 17 and US GAAP have the same objective – to require leases that effectively transfer ownership of assets (usually called finance leases) to be capitalised. Differences of detail, between the standards may give rise to different treatment of the same leases under the two GAAPs, but a reasonably knowledgeable investor could be expected to understand that the lease terms would have been written differently if the other framework had been used.	Pre-agenda research underway	The staff are working towards a discussion paper to be issued jointly by the IASB and FASB, in the second quarter of 2008.	On the agenda (led by a national standard-setter)	The staff is working towards a discussion paper to be issued jointly by the IASB and FASB, in the second quarter of 2008.
Revenue recognition (IAS 18)	No	Not significant - General principles are consistent between the two GAAPs, but there are some differences of detail which are unlikely to affect investors' decision making as long as there is full disclosure of accounting policies and sufficient information provided under US GAAP.	In the Joint IASB/FASB meeting in October, the staff will provide an overview of both revenue models—now referred to as the Measurement model (formerly Fair Value) and the Allocation model (formerly Customer Consideration). Based on the Boards' feedback, the staff will make changes to the draft chapters of the due process document and present those chapters to the Boards in early 2008.	The staff plans to publish a due process document by the first quarter of 2008.	Currently the staff is working with two small groups of Board advisers to develop further and illustrate the two models. The Board plans to begin considering the more developed models in the fourth quarter.	The Board plans to issue a Discussion Paper (jointly with the FASB) for consultation in the first quarter of 2008.
Government grants (IAS 20)	No	Not significant - Under US GAAP, non-monetary government grants must be fair valued and recognised. Non-monetary government grants are rare. In any case, disclosure of grants received would be sufficient.	Nothing specific	Nothing specific	To be examined the IASB.	Work on the IAS 20 project is expected to resume towards the end of 2007.
Joint-ventures	No	No significant differences	Nothing specific	Nothing specific	The IASB issued an Exposure Draft in September 2007. The Exposure Draft is open for public comment until 11 January 2008.	An IFRS, "Joint Arrangements", is expected to be published in the second half of 2008.

Theme	CESR remedy in 2005 advice	Summarised issues	FASB		IASB	
			Current status as of 09/07 on FASB agenda	Prospects 2008	Current status as of 09/07 on IASB agenda	Prospects 2008
Fair Value measurement guidance	No	Nothing specific	Statement 157 was issued in Sept 06. Not on the agenda anymore.		On agenda – deliberations in process	During the first half of 2008 the Board plans to hold round-table discussions with constituents. Responses to the discussion paper and the feedback received during the round-table discussions will be valuable to the IASB in developing an exposure draft of an IFRS on fair value measurement guidance, which it aims to publish in the first half of 2009.
Financial Statements Presentation	No	Nothing specific	The FASB decided that it would not publish a separate Exposure Draft on Phase A of the project. Rather, it will expose its Phase A decisions along with its Phase B decisions.	The initial output for Phase B is a discussion document (similar to a Preliminary Views (FASB) that is expected to be published in the first quarter of 2008.	Phase A is finalised with the approval of a final revised IAS 1. Phase A was undertaken by the IASB and addresses what constitutes a complete set of financial statements and requirements to present comparative information. Phase B is currently being undertaken. Phase C has not started.	The publication of a Discussion Paper (Preliminary Views document – FASB) is expected to be published in the first quarter of 2008.



Appendix III: ASBJ work programs on the convergence between IFRS and Japanese GAAP

Theme	CESR remedy in 2005 advice	Summarised issues	Current status as of 11/07 on the ASBJ Agenda	Prospects in 2008
Share-based payments (IFRS 2)	Disclosure B	Expense recognition + explanatory notes: Remaining differences between Japanese GAAP and IFRS 2 are considered not significant. However, to the extent that Japanese GAAP does not provide information for investors to be able to compare the basis of the expense, Disclosure A should be required as a remedy.	Accounting standards and guidance were released in December 2005. Requisite disclosure is also defined therein. (See No. 13, "Share-based payments - explanatory notes")	Accounting standards and guidance have been implemented since May 2006 (effective of new Company Act).
	Disclosure A			
Business Combination (IFRS 3)	Supplementary Statement	Pooling of interest method - The basics of accounting for business combinations in Japanese GAAP and IFRS are the same. However the required application of the pooling-of-interest method in each case would create differences in financial reporting, which by no means available to the investor could create comparable information on the financial position and performance of the merged entity	A Project Team was launched in December 2006 and submitted the Research Report in October 2007 to the Board. A Discussion Paper is expected to be published for public comment in December 2007. The Discussion Paper will address how to account for the pooling-of-interest method which is one of the major differences on business combinations, and also will set forth future direction as to whether the pooling-of-interest method would be eliminated.	An Exposure Draft is expected to be published in the middle of 2008 considering the responses from market participants to the Discussion Paper. The Exposure Draft will cover various issues on business combinations, including areas identified by the CESR as mentioned. The final standard is expected to be published by the end of 2008.
	Disclosure B	Date of exchange - Under Japanese GAAP shares issued as consideration are measured at their market price over a reasonable period of time (a few days) before the parties reach an agreement on the purchase price and the transaction is announced. Under IFRS 3 shares issued as consideration are measured at their fair value on the date of the exchange transaction.		
	Disclosure A	Minority interests at historical cost - Under Japanese GAAP, minority interest can be measured the same way as IFRS or as the minority's portion of the pre-acquisition historical book value of the identifiable net assets acquired.		



Theme	CESR remedy in 2005 advice	Summarised issues	Current status as of 11/07 on the ASBJ Agenda	Prospects in 2008
Business Combination (IFRS 3)	Disclosure A	Step acquisitions - Step acquisitions under IFRS 3 require revaluation of previous interests at fair value at each acquisition date. Under Japanese GAAP previous interests are not revalued, resulting in an accumulation of fair values at different dates	A Project Team was launched in December 2006 and submitted the Research Report in October 2007 to the Board. A Discussion Paper is expected to be published for the public comment in December 2007. The Discussion Paper will address how to account for the pooling-of-interest method which is one of the major differences on business combinations, and also will set forth future direction as to that the pooling-of-interest method would be eliminated.	An Exposure Draft is expected to be published in the middle of 2008 considering the responses from market participants to the Discussion Paper. The Exposure Draft will cover various issues on business combinations, including areas identified by the CESR as mentioned. The final standard is expected to be published by the end of 2008.
	Disclosure B	Negative goodwill - Japanese GAAP recognises negative goodwill as a liability and requires amortisation on a straight-line basis within 20 years.		
	Disclosure B	In process R&D - Under Japanese GAAP, in process R&D is expensed when incurred.		
Insurance (IFRS 4)	Disclosure A	Catastrophe provisions - Japanese GAAP requires insurance companies to make catastrophe provisions. The degree of disclosure in relation to these provisions varies in practice. It is to be noted that the amount of catastrophe provisions is not systematically disclosed.	The industry targeted for application is limited to the insurance industry and the IASB is currently discussing the phase II.	
Inventories (IAS 2)	Disclosure B	LIFO - Japanese GAAP permits the use of LIFO stock valuation. However, in practise the usage of LIFO by Japanese entities is rare.	The ASBJ launched a project team in January 2007 to discuss the convergence items related to LIFO method for inventories. The Technical Committee of the ASBJ aims to determine whether the LIFO method, which has been permitted under the existing Japanese Standard, should be eliminated.	It is expected that the ASBJ will publish the Exposure Draft in the first quarter of 2008.
	Disclosure B	Lower of cost or market method - The cost method is allowed under Japanese GAAP as an alternative to lower of cost or market	An accounting standard was released in July 2006. In this standard, only the lower of cost or market value method should be adopted as the sole permitted measurement basis.	The new Accounting standard applies to entities for the fiscal year beginning on or after April 1, 2008. This Standard may also be applied to fiscal years prior to April 1, 2008.



Theme	CESR remedy in 2005 advice	Summarised issues	Current status as of 11/07 on the ASBJ Agenda	Prospects in 2008
Property, plant & equipment (IAS 16)	Disclosure A	<p>Asset retirement obligations - Estimated costs for asset retirement obligations, such as dismantling and removal costs and site restoration costs, are not commonly capitalized at initial measurement under Japanese GAAP. Recognition of restoration costs (under the definition of IAS 37 for the recognition of provisions) is required under IFRS, whereas recognition is limited to certain industries only, under Japanese GAAP.</p>	<p>A Technical Committee was set up in November 2006 to discuss how to account for asset retirement obligations and their costs, the scope of asset retirement obligations and their measurement techniques. The outcomes for the above issues might not always be consistent with the basic idea underlying the existing accounting treatments. The Discussion Paper for AROs was published for the public comment in May 2007.</p>	<p>An Exposure Draft and a new standard are expected to be published in December 2007 and in the first quarter of 2008, respectively.</p>
Employee benefits (IAS 19)	Disclosure A	<p>Pensions, Post Retirement Benefits (including the discount rate to be used for calculating retirement benefits obligations)</p>	<p>The ASBJ launched a project team in January 2007 to discuss the convergence items related to retirement benefits. In particular, the Technical Committee discusses the discount rate issues suggested by the CESR. i.e., currently, the standard requires the current discount rate at the year end in principle but allows the average rate of certain period as an alternative.</p>	
Effects of changes in foreign exchange rates (IAS 21)	Disclosure A	<p>Translation of goodwill - Under Japanese GAAP goodwill is translated by using the historical rate at the time of initial consolidation.</p>	<p>To be considered in conjunction with "Business combinations (pooling-of-interest method)".</p>	<p>See "Business combinations, pooling-of-interest method?"</p>



Theme	CESR remedy in 2005 advice	Summarised issues	Current status as of 11/07 on the ASBJ Agenda	Prospects in 2008
Consolidated & separate financial statements (IAS 27)	Supplementary Statement	<p>Qualified special purpose entities - In Japanese GAAP, the status of Qualifying SPEs (QSPEs) is slightly different to IFRS as it is essentially addressed by reference to the provisions on derecognition of assets. Exemptions provided in this context for QSPEs could lead, res sic stantibus to their possible exclusion from consolidated balance sheets and income statements.</p>	<p>The ASBJ divided this project in to two phases, short term project phase and long term project phase, considering the fact that the ASBJ needs to respond to the urgent need to enhance disclosures on transactions using SPEs and the ASBJ might be expected to provide comments to the IASB and FASB in relation to their deliberations. The short term project started in June 2006 which focuses on the enhancement of disclosures on transactions using SPEs, and practical guidance was published in March 2007.</p>	<p>As for the long-term project, the ASBJ has been discussing issues concurrently with deliberations by the IASB and FASB as identified by their MOU. It is expected that the ASBJ will publish a Discussion Paper in the first quarter of 2008 for public comment in step with the issuance of the Discussion Paper by the IASB and FASB.</p>
Investments in associates (IAS 28)	Disclosure B	<p>Uniformity of accounting policies of overseas subsidiaries - Japanese GAAP permits the use of financial statements prepared in accordance with the local GAAP of foreign subsidiaries, unless differences in accounting policies would lead to unreasonable consequences.</p>	<p>With the release of Practical Issues Task Force (PITF) (May 2006), accounting policies applicable to foreign subsidiaries will be unified substantially with those applicable to parent companies. (Furthermore, consolidation of financial statements using IFRS or U.S. GAAP is now permitted in Japan subject to certain adjustments.)</p>	<p>The ASBJ plans to issue the final standard and PITF in second quarter of 2008.</p>
		<p>Uniformity of accounting policies of associates - In principle there is the requirement for unification of accounting policies, however reference is made to the previous aspect mentioned under IAS 27 B, although having a different impact on the investors' decision</p>	<p>In November 2007, an Exposure Draft was published which requires uniformity of accounting policies for investing companies and their affiliates. In addition, the Exposure Draft for Practical Issues Task Force (PITF), which is similar to PITF No.18 (May 2006), was released which, for practical reasons, permits foreign affiliates to use IFRS or U.S. GAAP as their accounting policies given that certain adjustments are made to their financial statements in applying the equity method of accounting. The Exposure Drafts are expected to result in substantial uniformity of accounting treatments (policies) with those applicable to investing companies.</p>	

Theme	CESR remedy in 2005 advice	Summarised issues	Current status as of 11/07 on the ASBJ Agenda	Prospects in 2008
Financial instruments : disclosure & presentation (IAS 32)	Disclosure A	<p>Disclosure of financial instruments at fair value</p> <p>- Under Japanese GAAP, the fair values of derivatives and investments in securities shall be disclosed alongside their carrying amounts. Disclosure of the fair values of derivative instruments which are used for hedging purposes is not required.</p>	<p>In July 2007, the ASBJ published the Exposure Draft of Proposed Amendments to Accounting Standard for Financial Instruments (Exposure Draft of Statement No.19) and the Exposure Draft of Proposed Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Exposure Draft of Guidance No.23) in July 2007.</p> <p>Since 2005, the accounting standard for impairment of fixed assets has been applied effectively. The project team planned to publish a research report and submit it to the Board reflecting the progress of the joint discussion between the IASB and FASB. That is to say, the ASBJ aims to consider the issues which might be discussed between the IASB and FASB because two issues identified by CESR are the same as those related to existing U.S. GAAP. This implies that existing differences between the Japanese standard and IFRS on accounting for impairment of fixed assets would be eliminated once the existing IFRS is converged with U.S. GAAP. Although these issues are identified as short term project issues in the MoU between the IASB and FASB, discussion has not started yet. Therefore, the project team whose members currently undertake other projects concurrently is monitoring how the boards deliberate the issues, rather than making any report.</p>	A new standard is expected to be published by the end of 2007.
Impairments of assets (IAS 36)	Disclosure B Disclosure A	<p>Impairment tests - When the levels of undiscounted future cash flows from long-lived assets are less than their carrying amounts, the difference between the carrying amounts and the recoverable amounts are recognised as impairment losses.</p> <p>Reversal of impairment losses - Reversal of impairment losses is prohibited under Japanese GAAP. Reversal of impairment loss on goodwill is prohibited under both standards.</p>	<p>Since 2005, the accounting standard for impairment of fixed assets has been applied effectively. The project team planned to publish a research report and submit it to the Board reflecting the progress of the joint discussion between the IASB and FASB. That is to say, the ASBJ aims to consider the issues which might be discussed between the IASB and FASB because two issues identified by CESR are the same as those related to existing U.S. GAAP. This implies that existing differences between the Japanese standard and IFRS on accounting for impairment of fixed assets would be eliminated once the existing IFRS is converged with U.S. GAAP. Although these issues are identified as short term project issues in the MoU between the IASB and FASB, discussion has not started yet. Therefore, the project team whose members currently undertake other projects concurrently is monitoring how the boards deliberate the issues, rather than making any report.</p>	The ASBJ are going to deliberate the issues considering the trend of discussion between the IASB and FASB.

Theme	CESR remedy in 2005 advice	Summarised issues	Current status as of 11/07 on the ASBJ Agenda	Prospects in 2008
Provisions (IAS 37)	Disclosure A	Scrapping costs - Estimated costs arising from asset retirement obligations, such as dismantling and removal costs and site restoration costs, are not commonly capitalized at initial measurement under Japanese GAAP. Recognition of restoration costs (in line with the stipulations of IAS 37 relating to the recognition of provisions) is required under IFRS, whereas recognition is limited to certain industries only, under Japanese GAAP.	Will be examined in conjunction with "Asset retirement obligations"	Provisions (IAS 37)
Intangibles Assets (IAS 38)	Disclosure B	Capitalisation of development costs - Under Japanese GAAP, costs incurred during a product development phase should be expensed when incurred. The total R&D expenditure itself is disclosed, but there is no requirement for detailed disclosure.	In May 2007, the ASBJ set up a Technical Committee to deliberate the issues on intangible assets, which had previously been discussed in the Working Group. The Technical Committee has focused its deliberations on accounting treatments for Research and Development cost, which areas are identified as major convergence issues between Japanese and other international standards, and has also carried out an overall survey based on the research in the Working Group.	The ASBJ expects to issue a Discussion Paper by the end of 2007. Thereafter, the ASBJ will reconsider responses to the Discussion Paper and discuss this issue concurrently with deliberations by the IASB and FASB as identified as a short term project issues in their MOU.
Financial instruments (IAS 39)	Disclosure A	Financial instruments - CESR needs more information to determine whether the identified differences do in fact influence investors' decisions.	Financial instruments: to replace existing standards is a topic in the MOU announced in February 2006 between the IASB and the FASB. As a progress expected to be achieved by 2008, one or more due process documents relating to accounting for financial instruments will be issued. The ASBJ monitors this discussion.	Possible other amendments to Japanese GAAP will be undertaken taking into consideration the progress in discussions between the IASB and the FASB.
Investment Properties (IAS 40)	Disclosure A	Fair value - Fair values for investment properties are not required to be disclosed.	A Technical Committee will be set up in December 2007 to discuss fair values disclosure for investment properties.	The ASBJ plans to issue the Exposure Draft in the middle of 2008.
Agriculture (IAS 41)	Disclosure B	Agriculture - Differences in fair value of specific agriculture items. There is no specific standard for agriculture under Japanese GAAP	Taking into consideration of the business scale in this area, it is not necessary at this stage to make a particular accounting standard.	N/A



Theme	CESR remedy in 2005 advice	Summarised issues	Current status as of 11/07 on the ASBJ Agenda	Prospects in 2008
Segment reporting (IAS 14)	No	Not significant	In September 2007, the ASBJ released for public comment the Exposure Draft of Accounting Standard for Disclosures about Segments of an Enterprise and Related information (Exposure Draft of Statement No.21) and the Exposure Draft of Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information (Exposure Draft of Guidance No.26).	By the middle of 2008, a new standard will be released.
Leases (IAS 17)	No	Nothing specific	Accounting standard No.13 and application guidance (G-16) were issued in March 2007	N/A
Related party disclosure (IAS 24)	No	Not significant - Directors and other officers' compensation is disclosed as total amounts as required by other reporting regulations in Japan, outside the scope of financial statements. Information on related party transactions is by nature relevant for investors and such disclosure can be considered significant. However, such information is expected to be provided elsewhere in the annual report, or should be identifiable from notifications to be made pursuant to EU Transparency requirements on major shareholdings.	Accounting Standard No.11 was issued in October 2006.	N/A
Retrospective restatements	No	Nothing specific	A Discussion papers were released in July 2007.	Based upon feedback from markets participant to the Discussion Paper, the ASBJ is deliberating this issue.
Quarterly financial reporting	No	Nothing specific	Accounting standard No.12 and application guidance (G-14) were issued in March 2007	N/A

Appendix IV: DIFFERENCES BETWEEN CHINESE ASBE AND IFRS

ASBE	IAS/IFRS Equivalent	Differences
Basic Standard	IAS 1	ASBE - states the use of prudence. IAS - states the importance of fair presentation.
ASBE 2 - Long term Equity Investments	IAS 27	Separate financial statements of the Parent: ASBE 2 requires subsidiaries to be stated at cost. ASBE 2 requires use of equity method when taking into account associates and jointly controlled entities in the parent's separate financial statements. IAS 27 - account for subsidiaries, associates or JCEs to be stated at cost, and then carried using equity method or in accordance with IAS 39 (fair value). ASBE 2 does not address the accounting treatment for jointly controlled assets. Consolidation: ASBE only allows the equity method to account for a jointly controlled entity. Jointly controlled operations/assets: ASBE 2 does not recognise the accounting treatment for jointly controlled operations/assets
ASBE 3 - Investment Property	IAS 40	IAS 40 has a greater scope and states that uniformity of accounting treatment be used. Land use rights held for rental purposes can be classified using cost model or fair value.
ASBE 4 - Fixed Assets	IAS 16	ASBE only allows for the cost model, not the revaluation model. IAS 16 allows for either cost or revaluation model.
ASBE 5 - Biological Assets	IAS 41	ASBE 5 states that the cost model should be used, unless there is evidence that the fair value can reliably obtained continually. IAS 41 states that the fair value be used unless it is clearly unreliable.
ASBE 6 - Intangible Assets	IAS 38	ASBE 6 only allows for cost model whereas IAS 38 allows for cost or revaluation model (where fair value can be determined by pricing in an active market)
ASBE 7 - Exchange of non-monetary assets	IAS 16, IAS 38	Exchanges of non monetary assets are dealt with in IAS 16 (PPE) and 38 (intangible assets) as the need to create a separate accounting standard was not seen as important. Whilst the exchange of similar non monetary assets in IAS 16 and 38 is similar to ASBE 7 (for the assets to be recognised at fair value, they require the commercial substance test to be applied), this is not extended to IAS 18, which only recognises fair value on exchange of dissimilar non monetary assets.
ASBE 8 - Asset Impairment	IAS 36	IAS 36 prohibits reversal of impairment loss for goodwill, but ASBE 8 prohibits reversal of all impairment loss

ASBE	IAS/IFRS Equivalent	Differences
ASBE 9 - Employee Benefits	IAS 19	Does not recognise a defined benefit liability and the resulting expense throughout the service period of related employees
ASBE 10 - Enterprise Annuity Fund	IAS 26	ASBE 10 does not recognise defined benefit plans because they do not exist in China.
ASBE 11 - Share based payment	IFRS 2	ASBE 11 only covers accounting for share-based payment transactions for services, whereas IFRS 2 covers services and goods. Equity settled with cash alternatives are not addressed in ASBE 11.
ASBE 12 - Debt Restructuring	IAS 39	IAS 39 is broadly similar to ASBE 12. However, IAS 39 states that financial assets (including debts) should be derecognised when: a) the contractual rights to the cash flows from the debt expire b) an issuer transfers the debt and transfers in substance the risks and rewards of the debt. ASBE 12 does not cover the above derecognition requirements nor the principles behind it.
ASBE - 13 Contingencies	IAS 37	No significant difference
ASBE - 14 Revenue	IAS 18	No significant difference
ASBE 15 - Construction Contracts	IAS 11	IAS 11 allows the inclusion of direct costs in securing a construction contract as Contract Costs if such costs can be reliably measured and separately identified. ASBE 15 requires these to be expensed as incurred.
ASBE 16 - Government Grants	IAS 20	ASBE 16 only allows deferred income presentation method of recognising the grant. It does not allow the recognition of the carrying amount of the asset less the grant and a reduced depreciation charge.
ASBE 17 - Borrowing Costs	IAS 23	No significant difference
ASBE 18 - Income Taxes	IAS 12	No significant difference
ASBE - 19 Foreign Currency Translation	IAS 21	Chinese Law requires the presentation of all financial statements to be made in RMB, although ASBE 19 is silent on the issue, the law would take precedence.