September 3, 2010

To the International Accounting Standards Board;

The Japanese Bankers Association

**Comments on the IASB Exposure Draft "Defined Benefit Plans"**

The Japanese Bankers Association is an organization that represents the banking industry in Japan; its members comprise banks and bank holding companies operating in Japan. The Association submits the following comments on the Exposure Draft (“ED”), “Defined Benefit Plans.”

We hope that the comments below will assist the Board in its further deliberation.

Question 5

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| The expected return on plan assets is determined by the characteristics of the pension assets, and it is on this basis that the interest income on plan assets should be calculated. |

（Reasons）

(1) Differences between characteristics of plan assets and defined benefit obligations

Plan assets comprise equities, bonds, and a wide range of other assets, and they should be valued at fair value. Consequently, the return on plan assets includes not only bond coupons, but dividends income and changes in fair value. Estimations of the interest income on plan assets should be made by the individual enterprise on the basis of its pension assets portfolio and a comprehensive judgment of future investment policy, past investment results, and market trends.

By contrast, defined benefit obligations are notional obligations calculated on the basis of certain actuarial assumptions and therefore fundamentally different from the plan assets, which are backed by investment assets. Measurements of the interest income produced by plan assets and the interest expenses calculated from defined benefit obligations are, as a result, completely unrelated. The proposed approach means that interest income on plan assets that comprises finance cost is calculated by the discount rate used to calculate costs related to defined benefit obligations. The use of the same rate to calculate interest income on plan assets and costs on defined benefit obligations, which are unrelated even though they may be a matter of practical convenience, does not produce financial statements that accurately reflect the substance of an enterprise. We believe it is preferable to recognize rationally expected return as net profit/loss because it is not arbitrary and backed by investment assets,.

(2) Significance of actuarial gains and losses arising from remeasurement of plan assets

According to the proposed approach, the difference between the (estimated) interest income on plan assets and remeasured earnings has little accounting significance, representing only the degree to which actual investment results from plan assets outperformed yields on blue-chip corporate bonds.

(3) Reliability of expected returns on plan assets to be maintained by enhanced disclosure and audit mechanism

We understand that the approach attempts to provide methods of practical convenience to address large deviations between the expectation and the actual as well as the potential for arbitrariness in expectation. However, we do not believe it is worth revising accounting standards for this because we do not believe this is essentially an issue of accounting theory, but rather of how plans are administered, and it should be addressed with more appropriate administration of audit mechanism.

Question 6

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| Like IFRS 9, it should be an issue of accounting policy selection how to determine the statement of financial position treats the remeasured component in other comprehensive income on the statement of comprehensive income. |

（Reasons）

(1) Nature of remeasurement components and retained earnings

Individual enterprises make and review estimates of defined benefit plans in each reporting period, and this is what results in the actuarial gains and losses posted to other comprehensive income on the statement of comprehensive income as a remeasurement component. Ordinarily, defined benefit plans are oriented towards long-term investments in order to provide for future payments of defined benefits to employees and do not seek earnings from short-term sales of assets.

"Retained earnings" represent net income accumulated through the process of profit/loss calculation, and because of this, it is inappropriate for the remeasurement component to be transferred immediately to retained earnings.

(2) Consistency with other standards

IFRS 9 does not contain specific provisions as to treatment of cumulative earnings and losses in equity because of the unique restrictions that individual jurisdictions place on the elements comprising the equity section. Were the actuarial gains and losses posted to other comprehensive income as the remeasurement component to be transferred immediately to retained earnings, it would create differences among accounting standards in the treatment of items posted to other comprehensive income, and there is not necessarily a clear reason why only the remeasured amount should be transferred immediately to retained earnings. The proposed accounting treatment would potentially create misunderstandings among financial statement users and would fail to provide useful information.

Question 9 and Question 12

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| We consider some of the proposed disclosure rules to be inappropriate. |

Question 9 (a)

A wide range of assumptions are used in actuarial calculations, and voluminous disclosure would be required to track the impact that changes in these assumptions have on defined benefit plan obligations and current service costs. From a practical standpoint, this would place excessive burdens on enterprises and would potentially be a factor impeding the understanding of users. The methods and assumptions used to create sensitivity analysis are unique to individual enterprises, which could potentially result in disparate treatment among enterprises.

Question 9 (c)

Assuming that the enterprise is an ongoing concern, each country has various situations, and in some countries "the present value of the defined benefit obligation, modified to exclude the effect of projected salary growth" is unrealistic, and its disclosure could actually be misleading to users. Therefore the proposed disclosure is not appropriate in some countries and the treatment should take that situation into consideration.

Question 9 (e)

The disclosure of long-term forecasts for the next five years increases the potential for arbitrary intervention on the part of management. Paragraph 125 K requires a "narrative discussion," but it is unclear what the specific content of such a discussion would be and there is the potential for different treatment by different enterprises.

With respect to this question, we believe that "the employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the reporting period." as provided in IAS 19 Paragraph 120 A (q), provides useful information on the enterprise's near-term cash flow.

Question 12

With respect to Paragraph 125 E (c) (ii) and (iii), changes in actuarial assumptions are interrelated, and therefore disclosing actuarial gains and losses by differentiating those arising from changes in demographic assumptions and financial assumptions would not provide useful information to financial statement users in spite of the practical burdens.